

# **DBE Contractors' Guide**



**September 2018**

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## **Manual Notice: 2018-1**

**From:** Michael D. Bryant, Director, Civil Rights Division

**Manual:** *DBE Contractors' Guide*

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### **Purpose**

The *DBE Contractors' Guide* provides guidance for the Disadvantaged Business Enterprise (DBE) contractor on the federal and state requirements of the DBE Program. The Guide contains the processes and procedures to be used by the DBE contractor to successfully accomplish all phases of DBE compliance from project initiation to project close-out. The procedures include DBE contractor responsibilities and best practices with respect to both federal requirements and state requirements.

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### **Archives**

This is a new manual and no past notices are available.

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# Chapter 1: Introduction

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## **Section 1: Purpose of the Guide**

The DBE Contractors' Guide provides guidance for the DBE contractor on the federal and state requirements of the Disadvantaged Business Enterprise (DBE) Program. This Guide contains the processes and procedures to be used by the DBE contractor to successfully accomplish all phases of DBE compliance from project initiation to project close-out. The procedures include DBE contractor responsibilities and best practices with respect to both federal requirements and state requirements.

This Guide is not meant to supersede any federal, state, or contract specific requirements. If a conflict of instructions should arise, always refer to the published regulations or the DBE Special Provision for guidance.

## Section 2: Overview of the DBE Program

The DBE Program is a legislatively mandated United States Department of Transportation (USDOT) program that applies to federal-aid highway dollars expended on federally-assisted contracts issued by USDOT recipients such as the Texas Department of Transportation (TxDOT).

The program is administered by the USDOT's three modal administrations: Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and Federal Aviation Administration (FAA). Implementation of the DBE Program is guided by USDOT regulations found at 49 Code of Federal Regulations (CFR), Part 26.

TxDOT has established a DBE Program in accordance with regulations of the USDOT.

TxDOT's primary DBE Program objectives are:

- To ensure nondiscrimination in the award and administration of USDOT-assisted contracts in TxDOT's highway, transit, and airport financial assistance programs.
- To create a level playing field on which DBEs can compete fairly for USDOT-assisted contracts.
- To ensure that TxDOT's DBE Program is narrowly tailored in accordance with applicable law.
- To ensure that only firms that fully meet 49 CFR, Part 26 eligibility standards are permitted to participate as DBEs.
- To help remove barriers to the participation of DBEs in USDOT-assisted contracts.
- To promote the use of DBEs in all types of federally-assisted contracts and procurement activities conducted by recipients.
- To assist the development of firms so they can compete successfully in the marketplace outside of the DBE Program.
- To provide appropriate flexibility to recipients of federal financial assistance in establishing and providing opportunities for DBEs.

## Section 3: Acronyms, Terms and Definitions

### Acronyms

#### Acronyms

Acronym	Description
AE	Area Engineer
AFA	Advanced Funding Agreement
AO	Area Engineer Office
CFR	Code of Federal Regulations
CIV	Civil Rights Division
CSJ	Control Section Job
CUF	Commercially Useful Function
DBE	Disadvantaged Business Enterprise
DDC	District DBE Coordinator
DE	District Engineer
DMS	Diversity Management System
DOC	Director of Construction
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FTA	Federal Transit Administration
GFE	Good Faith Effort
LG	Local Government
LGP	Local Government Projects Office
MOU	Memorandum of Understanding
NAICS	North American Industry Classification System
TAC	Texas Administrative Code
TUCP	Texas Unified Certification Program
TxDOT	Texas Department of Transportation
USDOT	United States Department of Transportation

## Terms and Definitions

**Commercially Useful Function (CUF)** - A DBE performs a CUF when it is responsible for execution of a distinct element of work of a contract or subcontract and carries out its responsibilities by actually performing, managing, and supervising the work involved.

**Disadvantaged Business Enterprise (DBE)** - A for-profit, small business concern where socially and economically disadvantaged individuals own at least a fifty-one percent interest and also control management and daily business operations.

**Diversity Management System (DMS)** - A web-based software program used to collect, verify and manage payment information for prime contractors and subcontractors working on federal-aid projects.

**Federally-Assisted Contract** - Any contract between TxDOT and a contractor which is paid for, in-whole or in-part, with USDOT financial assistance.

**Goal Credit** - The value of DBE participation on a project that qualifies towards the DBE goal.

**Good Faith Effort** - A contractor's efforts to achieve a DBE goal by its scope, intensity, and appropriateness to the objective can reasonably be expected to fulfill the program requirement.

**Guide** - DBE Contractors' Guide.

**Joint Venture** – A joint venture is an association of a DBE firm and one or more other firms to carry out single, for-profit business enterprise, for which the parties combine their property, capital, efforts, skills, and knowledge, and in which the DBE is responsible for a distinct, clearly defined portion of the work of the contract and whose shares in the capital contribution, control, management, risks, and profits of the joint venture are commensurate with its ownership interest.

**Local Government** - A project in which at least one phase of project development is managed by a local government agency for which it is being reimbursed with federal or state funding or a locally-funded project managed by a local government on the state highway system.

**NAICS** - The North American Industry Classification System is the primary industry classification system which best describes the primary business of a firm. The NAICS is used by federal statistical agencies for the purpose of collecting, analyzing, and publishing statistical data related to the US economy. (<http://www.census.gov/eos/www/naics/>)

**Race-Conscious** - Measures taken to meet DBE Program objectives that focus specifically on assisting only DBEs.

**Race-Neutral** - Measures taken to meet DBE Program objectives that are tailored to assist all small businesses including DBEs and do not single out a specific minority group.

**Shortfall** - A contractor's failure to meet a project assigned DBE goal.

**Sub recipient** - Any entity, public or private, to which USDOT financial assistance is extended through a recipient, through programs of the FHWA, FAA, or FTA.

**Special Provision** - Additions or revisions to standard specifications or special specifications of the contract.

**Texas Unified Certification Program (TUCP)** - A certification program for the federal DBE Programs in Texas.

**Utilization Plan** - The Utilization Plan identifies which DBEs the prime contractor intends to use to satisfy the project DBE Goal.

## Chapter 2: Resources

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[Section 1: Resources](#)

[Section 2: Training](#)

[Section 3: DBE Supportive Services Program](#)

## Section 1: Resources

### Overview of the DBE Program – Videos

Below are web resources from the USDOT and FHWA on the DBE Program:

- DBE Program: <https://www.transportation.gov/civil-rights/disadvantaged-business-enterprise>
- DBE Program Overview: <http://www.fhwa.dot.gov/federal-aidessentials/catmod.cfm?id=73>

### TxDOT DBE Guides

TxDOT has two guides for DBE program administration.

- DBE Contractors' Guide
- Prime Contractors' DBE Guide

These guides and accompanying training materials are available on TxDOT's website. TxDOT's Civil Rights Division can provide guidance and training.

### Diversity Management System

The Diversity Management System (DMS) is a web-based software program used to collect, verify, and manage payment information for prime contractors and subcontractors working on federal-aid projects.

Below is a list of vendor resources that can be found in DMS: (<https://txdot.txdotcms.com/>)

- Vendor Guide
- Vendor Training Manual
- Utilization Plans (Found on page titled Utilization Plans)
- Video Tutorials

## **Section 2: Training**

### **TxDOT DBE Guides**

TxDOT can provide guidance and training for the following guides:

- DBE Contractors' Guide
- Prime Contractors' DBE Guide

These guides and accompanying training materials are available on TxDOT's website.

### **Diversity Management System**

B2Gnow provides DMS training to contractors. Below is a list of training courses:

- Online Certification Application – Vendor Training
- Vendor Registration & Questionnaire – Vendor Training
- Introduction to the System – Vendor Training
- Contract Compliance Reporting – Vendor Training



## **Section 3: DBE Supportive Services Program**

### **DBE Supportive Services (SS)**

The primary purpose of the DBE/SS is to provide training, assistance, and services to DBEs certified in the DBE program to increase their activity in the program, and to facilitate the firms' development into viable, self-sufficient organizations capable of competing for, and performing on Federally-assisted highway projects.

TxDOT is committed to assisting DBEs in their efforts to work with TxDOT and other state agencies. To this end, the Department provides a variety of training programs and technical assistance provided by the Supportive Services program staff to assist DBEs in meeting these goals.

### **Texas Business Opportunity and Development (TBOD) Program**

TxDOT's TBOD Program works to increase disadvantaged-owned business participation in the highway construction industry. The Program provides DBE's with firm specific training and guidance to help them become competitive within the heavy highway or construction marketplace. TxDOT's TBOD programs prepare DBE's to move into non-traditional areas of work and to compete in the marketplace outside the DBE program. The TBOD Program provides networking opportunities, project matching assistance between subcontractors and primes, and access to training in the areas of business development, business management, and construction management.

Events and workshops - various vendor fairs, spot bid fairs, conventions, conferences, workshops, and seminars held throughout the state.

If you have any questions or would like more information, contact supportive services at (512) 416-4700.

## **Chapter 3: DBE Program Authorities**

### **Contents:**

[Section 1: Regulations and Provisions](#)

## Section 1: Regulations and Provisions

The following is a list of the DBE contract regulations and provisions that contractors must comply with:

- [USDOT DBE regulations](#) 49 CFR, Part 26
- [Special Provision 000-007](#) – (Disadvantaged Business Enterprise in Federal-Aid Contracts) for projects let prior to February 2017
- [Special Provision 000-394](#) - (Disadvantaged Business Enterprise in Federal-Aid Contracts) for projects let after February 2017
- [Special Provision 009-009](#) Measurement and Payment - (Payment Provisions for Subcontractors)

## Chapter 4: DBE Program Responsibilities

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[Section 2: Civil Rights Division](#)

[Section 3: TxDOT Districts](#)

[Section 4: DBE Contractor](#)

## Section 1: Overview

### Condition of Federal Funding

TxDOT receives federal financial assistance from USDOT through programs of the FHWA, FAA, and FTA. As such, TxDOT becomes a recipient of federal funds and is responsible for administering its DBE Program and is legally accountable for expenditures of USDOT financial assistance in accordance with federal requirements.

As a condition of receiving this assistance, TxDOT has signed an assurance that it will comply with 49 CFR, Part 26 in the establishment and administration of a DBE Program.

Prime contractors, subcontractors, suppliers, manufacturers, and consultants all become sub recipients of USDOT federal funds when they enter into federally assisted contracts, subcontracts, and agreements with TxDOT.

As sub recipients of federal funds, TxDOT requires sub recipients comply with the requirements of 49 CFR, Part 26, TxDOT DBE Program, and DBE contract provisions.

As sub recipients of federal funds, and as a condition of contract award, prime contractors, subcontractors, suppliers, manufacturers, and consultants must affirm that they will carry out DBE obligations, and will work with TxDOT and the federal government in their review of its activities under the contract.

## Section 2: Civil Rights Division

### Overview

TxDOT's DBE Program is established under TxDOT's Civil Rights Division (CIV). CIV is responsible for implementing all aspects of the DBE Program and ensuring that TxDOT complies with all provisions of 49 CFR, Part 26. CIV accomplishes this responsibility through a tiered approach of contract oversight, program administration, and verification of contractor compliance at division and District levels.

### CIV Staff

CIV's director and staff are responsible for:

- Implementation and oversight of TxDOT's DBE Program.
- Recommending and establishing policy and procedure in administration of the DBE Program.
- Coordination of DBE Program requirements with the Districts, FHWA, and all sub recipients.
- Setting overall DBE state participation goal.
- Setting specific DBE project or contract goals.
- Oversight and administration of the DMS contractor payment software and DBE utilization program.
- Annual reporting requirements to FHWA.
- Providing training on DBE Program requirements, processes, and procedures.
- Providing support and guidance to Districts, divisions and sub recipients.
- Conducting annual DBE Program compliance audits on Districts, local governments, and other entities that are recipients of federal funds.
- Oversight and administration of the Texas Unified Certification Program (TUCP).

## CIV Organizational Chart

### Civil Rights Division Organizational Chart

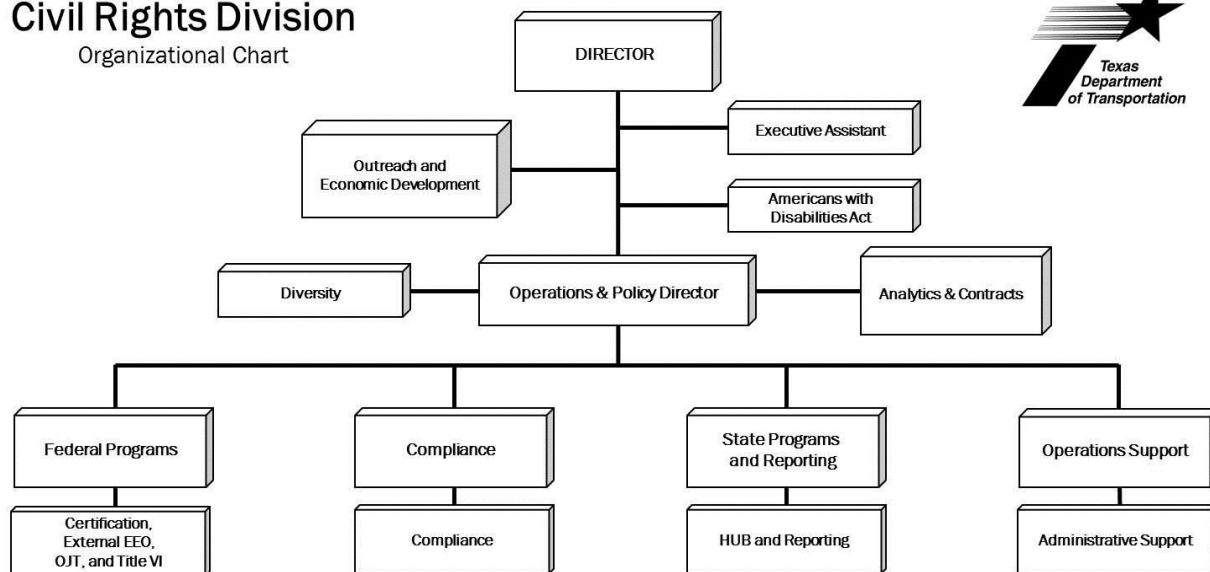


Figure 4-1. Civil Rights Division Organizational Chart

## CIV Contact Information

For assistance, please contact the Civil Rights Division at (512) 416-4700.

### Section 3: TxDOT Districts

The Districts oversee the construction of state highways. The oversight responsibility includes monitoring contractor compliance with the DBE Program requirements. District offices are the initial and primary contact for prime contractors and subcontractors and provide oversight for construction division projects. Area offices (under the District office) support the District office during different stages of the project. The oversight responsibility includes monitoring contractor compliance with the DBE Program requirements.

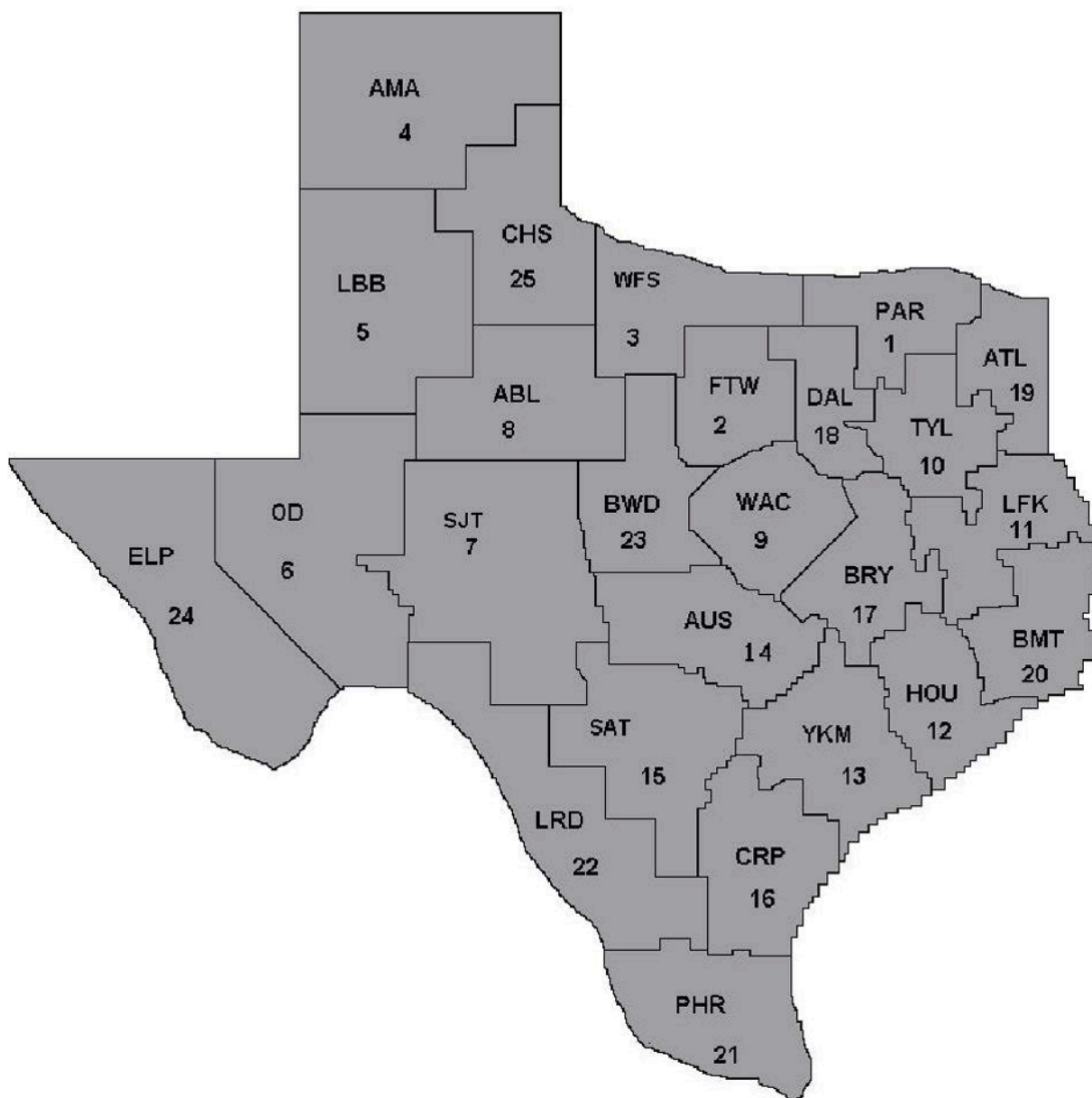


Figure 4-2. TxDOT District Map



**District Engineer Responsibilities**

The District Engineer (DE) oversees the planning, designing, building, operation, and maintenance of the state transportation system for the District. The DE will assign the District DBE Coordinator (DDC) or other staff to monitor contract compliance with the DBE special provision. In addition, the DE will address DBE Program violations and initiate sanctions or penalties when applicable.

**District Staff Responsibilities**

District staff DBE Program responsibilities include:

- Know and understand federal-aid contract DBE provisions included in the contract.
- Ensure all federal-aid project contracts in DMS are reviewed and locked-in in DMS prior to start of work.
- Ensure all DBE subcontractors in DMS are transferred from the utilization plan to the contract compliance module prior to start of work.
- Discuss DBE provision requirements at the pre-construction conference.
- Review and approve termination and substitution requests.
- Verify DBE payments in DMS.
- Review joint check requests.
- Perform Commercially Useful Function reviews.
- Verify final DBE participation dollar amounts in DMS or determine adequate good faith efforts.
- Maintain records in accordance with FHWA records retention requirements.
- Coordinate with the DDC or Director of Construction (DOC) if a contractor does not perform a monthly audit of payments to DBE subcontractors, does not request appropriate substitution or does not send adequate good faith efforts during the project.
- Escalate the issue to the District Engineer for administrative actions and determine the best course of action when a DBE commitment cannot be met.
- Seek direction and guidance from CIV staff on DBE Program compliance issues.

**District DBE Coordinator (DDC) Contact List**

The [DDC contact list](#) should be used to contact the DDC should you have any questions regarding compliance with the DBE Program.

## Section 4: DBE Contractor

### DBE Contractor Staff

Having adequate staff that fully comprehends the DBE Program requirements is the most effective way to ensure compliance with all provisions of 49 CFR, Part 26.

### DBE Contractor Responsibilities

- Market your firm presenting its capabilities to prime contractors and aggressively seek education on TxDOT contracting processes as well as each prime contractor's practices.
- Take maximum advantage of training opportunities and educational programs offered by the DBE Support Services office and industry partners.
- Participate in project outreach programs for DBE firms initiated by the DBE Support Services.
- Maintain up to date DBE certification.
- Review contracting resources beginning with the TxDOT web site for Notices to Contractors. <http://www.dot.state.tx.us/business/ntc.htm>
- Thoroughly review plans and specifications prior to submitting a quote. <http://www.txdot.gov/business/letting-bids/plans-online.html>
- Promptly respond to prime contractor solicitation expressing your intention/interest in quoting or not.
- Seek appropriate assistance and ask questions of prime contractors in a timely manner.
- Consistent with effective business practices, submit quotes clearly noting which items of work your firm is certified to perform.
- Maintain a log of all quotes and file of all prime contractor solicitations until contract execution.
- Review bid tabs and contact prime contractor, as appropriate to your quote or business type, after contract award is complete.
- If a prime rejects a bid, consider negotiating to do a smaller portion of work quoted.
- Before signing a DBE commitment, talk to the prime contractor and review contract documents to determine if there are special requirements, such as expedited progress schedules or non-standard items that will impact your work.
- Do not agree to a commitment if you do not have the expertise, ability, or financial and equipment resources needed to complete the job.
- A DBE commitment is not a contract; it is a commitment to work.

- 
- Perform work for which you are certified, per NAICS code. If you perform work for which you do not have an assigned NAICS code, your work cannot qualify as part of DBE procurement.
  - Meet performance standards as established by contracts specifications. This relates to the quality of work, the timely submission of required information.
  - Understand your responsibility and consequences of performing a commercially useful function (refer to [Chapter 6](#).)
  - Promptly submit verification of all payments received by prime contractor (refer to [Chapter 12 Section 2](#)).

## **Chapter 5: The Texas Unified Certification Program (TUCP)**

### **Contents:**

[Section 1: Background on the TUCP](#)

[Section 2: DBE Certification Specifics](#)

## Section 1: Background on the TUCP

49 CFR, Part 26.81(b)(2) states: “The UCP shall provide ‘one-stop shopping’ to applicants for certification, such that an applicant is required to apply only once for a DBE certification that will be honored by all recipients in the state.”

In support of this requirement, the State of Texas established a TUCP Committee that certifies DBEs for participation in USDOT federal contracting projects across the State of Texas.

### TCUP Certifying Agency Requirements

Six certifying agencies make all certification decisions in accordance with 49 CFR, Part 23, Part 26, and the TUCP Memorandum of Agreement. Agencies must keep complete files on applicants and provide information as required and annually require its DBE firms to submit an affidavit of no change form, due on their certification anniversary date.

A business' DBE certification received from any of the TUCP agencies is valid and can be relied upon by any Texas entity that receives USDOT funds.

The following agencies are members of the TUCP:

- City of Austin, Small Business Development
- City of Houston, Office of Business Opportunity
- Corpus Christi Regional Transportation Authority
- North Central Texas Certification Agency
- South Central Texas Certification Agency
- Texas Department of Transportation

### TUCP Directory

The firms listed in the TUCP directory meet the DBE certification requirements to perform the specific work codes granted. All requests for additional work codes must be approved prior to the execution of any contract the DBE firm wishes to perform work on as a DBE. The TUCP DBE directory should be relied on as primary source for soliciting DBEs.

The [TUCP directory](#) of all certified DBE firms in Texas is available online. The TUCP directory includes a list of certified DBE firms; including the name, address, telephone, and NAICS codes

## **Section 2: DBE Certification Specifics**

### **Overview**

Certification procedures are designed to ensure all businesses participating in the TxDOT DBE program meet the eligibility standards defined in US DOT regulations at 49 CFR Part 26. A business certified as a DBE can bid on all projects in the state of Texas, provided individual agency requirements that apply to all firms, DBE and non-DBE alike, also have been met. Firms wishing to be considered for DBE certification must complete the TUCP DBE Certification Application and submit all information requested on the application. The application is designed to solicit information to determine whether an applicant business is eligible for certification as a DBE under 49 CFR Part 26. For an application go to: <https://www.transportation.gov/sites/dot.gov/files/docs/New%20DBE%20Certification%20Application%2011-18-2014.pdf>

### **Interstate Certification**

A DBE whose primary business is not based in Texas must be DBE-certified in their home state before they are eligible to apply for certification in Texas.

### **On-site Visits and Field Monitoring**

Visits are conducted at the applicant's principal place of business with firms seeking first-time certification. During the on-site visit, the firm's principal officers and key employees must respond in writing to questions designed to clarify information contained either in the application package or received at the on-site visit. Questions are designed to verify whether or not the applicant meets DBE certification standards. During the on-site visit, certification staff may review a firm's financial, corporate, payroll and other records. Following the on-site visit, a report based on facts contained in the applicant's file will be developed and presented for managerial review and a certification eligibility decision.

### **Completion of Application Process**

The report of the on-site visit is completed by certification staff and a recommendation is made in the report on whether the applicant meets or not eligibility standards established in federal regulations and state law.

### **Denial Process**

If grounds for a determination of certification ineligibility are sufficient, the certifying agency will mail the firm a Notice of Certification Denial, which will contain reasons for the decision and advises the applicant of its right to appeal to the US DOT.

## Chapter 6: Commercially Useful Function

### Contents:

[Section 1: Overview](#)

[Section 2: Counting DBE Participation](#)

[Section 3: Evaluating a CUF](#)

[Section 4: CUF and Certification](#)

[Section 5: DBE Fraud Indicators](#)

## Section 1: Overview

A DBE firm performs a commercially useful function (CUF) when it is responsible for execution of the contract and is carrying out its responsibilities by performing, managing, and supervising the work involved. The regulations provide that with regard to materials and supplies, the DBE must be responsible for negotiating price, determining quality, quantity, ordering the material, installing (where applicable), and paying for the material itself.

In summary, the DBE should:

- Possess the required experience.
- Be financially independent.
- Employ its own laborers.
- Own or rent its own equipment.
- Handle its own payroll, invoicing, and negotiations.

To count toward the DBE goal, a DBE firm's work must serve a CUF. This means that the DBE firm has a necessary and useful role in the project. For example, the DBE firm supplies the material and performs, manages and supervises the work.

Prime contractors are responsible for determining that the subcontractors they are using to claim DBE credit meet this requirement. It is incumbent on prime contractors who work on projects with DBE participation requirements to hire independent, certified DBE firms to perform a CUF. Prime contractors should adopt a DBE compliance program to closely monitor its DBE subcontractor relationships.

A DBE firm's appearance on TUCP does not confirm that it is ready or capable of performing a CUF on a project. The prime contractor should ask potential DBE firms these questions to confirm that the DBE is ready and able to perform a CUF.

- How long has your company been in business?
- Will the DBE manage and supervise the work with its own managers and superintendents?
- Will the DBE perform the work with its own forces?
- Will the DBE be responsible, with respect to materials and supplies used on the contract, for negotiating price, determining quality and quantity, installing (where applicable) and paying for the material itself?
- What work, if any, does the DBE intend to subcontract and is that amount consistent with industry practice?

The regulations make clear that a DBE firm does not perform a CUF if its role is limited to that of an extra participant in a transaction, contract, or project through which funds are passed in order to obtain the appearance of DBE participation. If the DBE firm serves only to provide the appearance



of DBE participation, the work cannot count toward the DBE goal. CUF violations may indicate possible fraud and abuse of public funds.

“[FHWA Tips on Evaluating a Commercially Useful Function](#)” is an excellent resource for evaluating a CUF.

## Section 2: Counting DBE Participation

### Counting Overview

Once TxDOT determines that work on a project qualifies as a CUF, it then calculates the amount it can count toward its DBE goal. Only the value of the work performed by the DBE firm counts toward the goal. Depending on the nature of the work, different guidance applies.

The following is guidance for counting participation when a DBE firm is:

- DBE Subcontractor
- Manufacturer
- Regular Dealer
- Packager, Broker, Manufacturer's Representative
- Trucking Firm
- Joint Venture

### DBE Subcontractor

When a DBE firm is a subcontractor it must perform at least thirty percent (30%) of its contract using its own employees, equipment, materials, and resources. When this condition is met, all DBE work performed counts toward the DBE goal. A DBE subcontractor typically furnishes and installs the work item. One hundred percent (100%) of the prime contractor's payment to the DBE firm will count toward the contract goal. This includes payment for labor and materials.

When a DBE subcontracts to another DBE firm, the value of the subcontracted work may be counted toward the DBE goal. However, work subcontracted to non-DBE firms does not count toward the goal.

### Manufacturer

A prime contractor purchases materials or supplies from a DBE manufacturer. A DBE manufacturer produces, on its premises, materials or equipment used for a project. A DBE manufacturer can also take product and alter it to meet contract specifications. TxDOT counts one hundred percent (100%) of the value of manufactured materials and equipment toward the DBE goal.

### Regular Dealer

A prime contractor purchases material or supplies from a DBE regular dealer. There are two ways a DBE firm can perform as a regular dealer.

- A DBE firm may have a store or warehouse out of which it sells or leases products to the public.
- For bulk items such as petroleum, steel, cement, gravel, stone, or asphalt, a DBE firm must own and operate distribution equipment for the product it is supplying. Any supplementing of regular dealer's own distribution equipment shall be by a long-term lease agreement and not on an ad-hoc or contract-by-contract basis. The DBE must lease the equipment itself, as well as run the equipment with its own workforce.

If a DBE firm is acting as a regular dealer, sixty percent (60%) of the value of items sold to the project counts toward the DBE goal. TxDOT determines the amount of credit on a contract-by-contract basis.

For example, a dealer will provide pipes for \$100,000. Because the DBE firm regularly sells this product as a part of its business, TxDOT counts \$60,000 toward the DBE participation goal, or sixty percent (60%) of the value of the items provided.

### **Packager, Broker, Manufacturer's Representatives**

A prime contractor purchases material or supplies from a DBE firm, which is neither a manufacturer nor a regular dealer. TxDOT will count the entire amount of fees or commissions charged for assistance in the procurement of the materials and supplies. Goal credit will be granted if the fees or commissions are reasonable.

### **Differences between a Manufacturer, Regular Dealer, and Broker**

The following example shows the difference under the requirements of the DBE Program between a manufacturer, a regular dealer, and a broker. The example is the furnishing of crushed aggregate meeting a state DOTs specification for such items as aggregate base course.

- **Manufacturer (100%)** - A DBE as its principal business and under its name produces on its premises crushed aggregate and meets state standard specifications would be considered a manufacturer and the cost of the crushed aggregate produced can be credited 100% towards meeting the goal.
- **Regular Dealer (60%)** - A DBE is considered a regular dealer of crushed aggregate if the material is purchased in its name, and it engages as its principal business the purchase and sale of crushed aggregate to the general public, or owns and operates the necessary distribution equipment (since aggregate is considered a bulk item) to deliver the crushed aggregate. Under these circumstances, the DBE can be considered a regular dealer and 60% of the cost of the crushed aggregate purchased is credited towards the goal.
- **Packager, Broker, or Manufacturer's Representative - (100% Fees or Commissions)** - If the DBE firm does not meet all or any of the functions presented in defining a manufacturer or regular dealer in crushed aggregate but arranges or expedites transactions consistent with industry practice in the delivery of such materials, then the services in the amounts of fees or

commissions charged in the procurement and/or delivery of such materials can be credited towards the goal.

### **Trucking Firm**

There are several ways to count DBE credit for the services of DBE trucking firms. The DBE must have at least one truck and driver of its own, but it can lease the trucks of others, both DBEs and non-DBEs, including owner operators.

The following are ways to count DBE credit for the services of DBE trucking firms:

- For work done with its own trucks and drivers, and for work with DBE lessees, the primary DBE trucking firm receives 100% credit for all transportation services provided.
- If a non-DBE trucking firm hires second tier DBE trucking firms and DBE truck owner-operators, then 100% credit will be counted. Credit will not count for the amount of any fees that are deducted from the DBE trucking firm's payment, such as, fuel costs, other fees, etc.
- If the primary DBE trucking firm leases trucks from non-DBE firms, but uses its own employees as the drivers, then 100% credit will be counted. No credit will be allowed for 1099 employees. The primary DBE trucking firm must own and operate at least one truck used on the project.
- For work done with non-DBE lessees, the primary DBE trucking firm gets credit only for the fees or commissions it receives for arranging the transportation services.
- A primary DBE trucking firm may lease non-DBE trucks on a 1 for 1 basis for credit of the value of transportation services provided. If the hauling services performed by non-DBE trucks exceed the hauling services provided by the primary DBE trucking firm, the credit is limited to the fees and commissions only.

Primary DBE firm X has one (1) truck and leases one (1) truck from DBE firm Y.  
 Primary DBE firm also leases three (3) trucks from non-DBE firm Z.

Primary DBE firm X hauling services	\$3,000
DBE Firm Y hauling services	\$3,000
<b>Total DBE hauling services</b>	<b>\$6,000</b>
Non-DBE firm Z hauling services (20% commission charged)	
Truck 1	\$3,000
Truck 2	\$4,000
Truck 3	\$4,000
<b>Total non-DBE hauling services</b>	<b>\$11,000</b>
<i>(The value of hauls by non-DBE trucks exceeds the value of hauls by DBE owned trucks.)</i>	
Credit allowed for DBE Trucks	\$6,000
Credit allowed for non-DBE Trucks 1 and 2	\$6,000
<i>(1 for 1 not to exceed value of the DBE hauls)</i>	
Commission for Truck 3	\$800
<i>(Derived by multiplying value of haul at \$4,000 times the 20% commission)</i>	
<b>Total Hauling credit to count towards goal</b>	<b>\$12,800</b>

Figure 6-1. Example of Trucking

## Joint Venture

A joint venture is defined as an association of a DBE firm and one or more other firms to carry out single, for-profit business enterprise, for which the parties combine their property, capital, efforts, skills, and knowledge, and in which the DBE is responsible for a distinct, clearly defined portion of the work of the contract and whose shares in the capital contribution, control, management, risks, and profits of the joint venture are commensurate with its ownership interest.

When a DBE firm performs as a participant in a joint venture, TxDOT will count a portion of the total dollar value of the contract equal to the distinct, clearly defined portion of the work of the contract that the DBE performs with its own forces toward the DBE goal.

TxDOT will assess each joint venture agreement proposed to meet all or a portion of a DBE participation goal by using the following criteria:

- Does the relationship, or any aspect of such, between the DBE and non-DBE conflict with the ownership and control requirements specified in contract provisions?
- Is the DBE an independent business concern separate and apart from the non-DBE partner in the proposed agreement?
- Is the DBE's share in the ownership, control, management responsibilities, risks, and profits of the joint venture commensurate with the DBE's ownership in a joint venture?
- Does the agreement clearly define the work to be performed by the DBE?

- Is the work to be performed by the DBE in conformance with the contractual and statutory provisions governing the DBE's performance of a Commercially Useful Function?

### Section 3: Evaluating a CUF

To ensure each DBE firm is performing a CUF, TxDOT must monitor contract activity and certify in writing that DBE firms are performing a CUF. To determine whether a DBE firm is performing a CUF, five elements must be considered: management, workforce, equipment, materials, and performance.

A CUF review is required for all DBE firms on all federally-funded projects, including projects with no DBE goal. This also includes DBE truckers, suppliers and other vendors where a subcontract is not required.

TxDOT field personnel conduct CUF reviews and inspect jobsites to verify that the DBE firm is performing and managing the work. The reviewer's activities include making observations and interviewing DBE personnel.

Field staff review project-related documents such as:

- Executed subcontracts
- Certified payrolls
- Invoices
- Purchase Orders
- Delivery tickets and equipment title of ownership or lease agreements

These documents identify and support who is paying and supervising employees, ordering and paying for materials, and whose equipment is used on the project.

To qualify for goal credit, DBEs must perform a CUF.

If a DBE firm is presumed not to be performing a CUF, TxDOT will notify the DBE firm and offer the opportunity to provide rebuttal information. If the presumption prevails, no work performed by the DBE will count as eligible participation. The denial of goal credit may occur before or after a CUF determination has been made by TxDOT.

If the denial of goal credit results in a goal shortfall, the prime contractor will be required to obtain a substitute DBE to meet the contract goal or provide an adequate good faith effort when applicable. CUF determinations are not subject to administrative appeal to USDOT.

## Section 4: CUF and Certification

Certification and CUF are separate and distinct issues.

Certification decisions address the nature of a firm's ownership and structure while CUF primarily concerns the role a firm has played in a transaction.

A DBE firm's repeated failure to perform a CUF may raise questions regarding the firm's control, as it relates to independence, and perhaps ownership. If there is evidence of a pattern of failing to perform a CUF that raises serious issues with the firm's ability to control the work and its independence from the non-DBE firm, TxDOT must address this matter and may commence or initiate a proceeding under 49 CFR, Part 26.87 to determine the continued eligibility of the DBE firm.

If a DBE firm is a mere pass-through or middle man between two performing parties, the contractor seeking participation credits may be exposing itself to serious criminal and civil liability. In cases of deliberate attempts to circumvent the intent of the DBE Program, or fraud, these actions may lead to criminal prosecution of both the prime contractor and the DBE.



## Section 5: DBE Fraud Indicators

### DBE Fraud Indicators

TxDOT will report any false, fraudulent, or dishonest conduct in connection with the DBE program to the USDOT Office of the Inspector General (OIG) for appropriate action. The OIG looks at ten key indicators, or “red flags,” in determining whether to investigate a contractor for DBE fraud. These red flags include:

- DBE firm’s owner lacking background, expertise or equipment to perform subcontract work
- Employees shuttling back and forth between prime contractor and DBE-owned business payrolls
- Business names on equipment and vehicles covered with paint or magnetic signs
- Orders and payment for necessary supplies made by individuals not employed by DBE- owned business
- Prime contractor facilitated purchase of DBE-owned business
- DBE owner never present at job site
- Prime contractor always uses the same DBE
- Financial agreements between prime and DBE contractors
- Joint bank accounts (prime/DBE)
- Absence of written contracts

Under 49 CFR, Part 26.107, businesses working in the DBE program who engage in the conduct may be subject to suspension or debarment, enforcement actions under 49 CFR Part 31, Program Fraud and Civil Remedies, or criminal prosecution. USDOT OIG makes investigating and prosecuting DBE fraud a priority. The OIG, working with U.S. Attorney’s offices has helped to create successful criminal prosecution for fraudulent conduct in the DBE program. Anyone who becomes aware of fraud, waste, or abuse in these programs should inform the OIG as well as TxDOT staff.

### Reporting Fraud

TxDOT has established a hotline for employees, contractors, and others to report suspected fraud or abuse. The TxDOT Watch reporting system allows individuals to anonymously report suspected unethical and illegal activities within the agency in one of two ways:

- Report incidents by visiting [TxDOT Watch](#)
- Call toll-free (877) 769-8936

## Chapter 7: Contract Letting

### Contents:

[Section 1: Overview](#)

## Section 1: Overview

Prior to letting a construction project, a DBE project goal will be set by TxDOT. For projects with a specified percentage DBE goal, prime contractors make a commitment to meet the goal by signing the proposal and submitting a bid.

### Pre-Estimate Actions

It is recommended the DBE take the following pre-estimate actions:

- Review contracting resources beginning with the TxDOT web site for Notices to Contractors. <http://www.dot.state.tx.us/business/ntc.htm>
- Thoroughly review plans and specifications prior to submitting a quote. <http://www.txdot.gov/business/letting-bids/plans-online.html>
- Promptly respond to prime contractor solicitation expressing your intention/interest in quoting or not.
- Seek appropriate assistance and ask questions of prime contractors in a timely manner.
- Consistent with effective business practices, submit quotes clearly noting which items of work your firm is certified to perform.
- If a prime contractor rejects a bid, consider negotiating to do a smaller portion of work quoted.

## **Chapter 8: Good Faith Effort Process**

### **Contents:**

[Section 1: Overview](#)

[Section 2: Confirm Participation Using DMS](#)

[Section 3: If Prime Submits UP Prior to Confirmation by All DBE Contractors](#)

## Section 1: Overview

### Utilization Plan

Prime contractors are required to submit DBE Utilization Plans (UP) through DMS no later than five calendar days following the official notification that they are the apparent low bidder. If the fifth day falls on a weekend or state or federal holiday, the deadline moves to the next business day.

Prime contractors complete and submit utilization plans online via DMS.

TxDOT creates the UP record in DMS by project CSJ and assigns it to a prime contractor. Once TxDOT releases the UP, the prime contractor's main contact in DMS will receive an e-mail notification.

The prime contractor can then enter all subcontractors or suppliers. The subcontractors and suppliers must confirm their participation. The prime contractor will sign the UP and submit it.

Submitted plans are reviewed by TxDOT CIV staff. CIV staff will either:

1. return the plan,
2. conditionally approve the plan, c) approve the plan, or d) deny the plan. For returned and conditionally approved plans, the system will automatically send notices to the prime contractor to update and resubmit the plan.

Instructions for submitting a UP in DMS are included in Section 2. In addition, B2Gnow has published a user manual titled Utilization Plans that shows prime contractors how to complete and submit utilization plans. The manual can be located in DMS.

A DBE prime contractor is not required to submit a UP. DBE prime contractors must report subcontractor activity for all subcontractors to include DBEs and non-DBEs in DMS after contract execution. Refer to the Prime Contractors' DBE Guide, Chapter 9 titled DMS Subcontractors for more information on adding subcontractors to DMS.

### Good Faith Efforts

Prime contractors must make Good Faith Efforts (GFE) to meet the DBE contract goal, either by meeting the goal or by documenting GFE to meet the goal. Prime contractors should make sincere and aggressive efforts to meet the DBE goal. Attempting to obtain a contract on the basis of documented GFE should be a contractor's last resort.

Contractors should document steps it has taken to satisfy GFE requirements and meet the contract DBE goal. Prime contractors should understand the list of the types of GFE found in 49 CFR, Part 26, Appendix A.

TxDOT will not penalize prime contractors if they fail to meet contract DBE goals as long as they follow GFE guidelines in 49 CFR, Part 26, Appendix A and submit their GFE to CIV for review and approval.

If the goal cannot be met in whole or in part, prime contractor will attach Contractors Certification of Good Faith Efforts [Form 2603](#) and supporting documentation in DMS.

## Section 2: Confirm Participation Using DMS

These steps are required by TxDOT as an enhancement to the standard function of the DMS system, therefore it is not covered in the B2Gnow Utilization Plans user manual, or in the standard training webinars.

### Step 1: Notification via Email to DBE Subcontractor

Once the prime contractor has saved each commitment, the DBE subcontractor will receive the following e-mail notice from DMS.

From: Texas Department of Transportation  
Date: 03/06/2016 8:46:31 AM  
Subject: Subcontractor to Confirm (Turn Lanes, Rehab Shoulders and Overlay) Participation

Dear TxDOT Test Sub Vendor 5,

TxDOT Test Prime 8 has assigned TxDOT Test Sub Vendor 5 as a SUBCONTRACTOR on the following Utilization Plan. To assist TxDOT Test Prime 8 in completing the utilization plan, please respond to this notice confirming participation ASAP. Click the link below to log into the system and review the request.

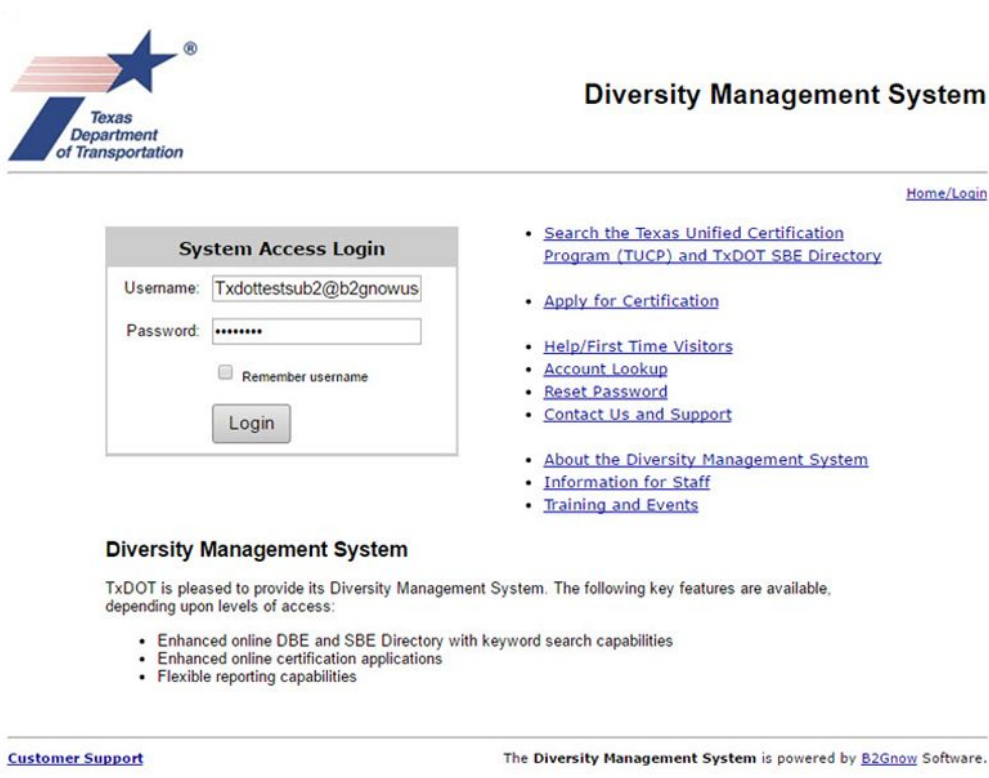
Organization: Texas Department of Transportation  
Proposal: Turn Lanes, Rehab Shoulders and Overlay  
Proposal Number: 0009-11-999  
Utilization Plan Reference: Letting 02/2016  
- Phase: Original

To view this Utilization Plan, visit <https://txdot.txdotcms.com/161803398> and login.  
To view all Utilization Plans, visit <https://txdot.txdotcms.com/314159256> and login.

Texas Department of Transportation  
Civil Rights Division  
125 East 11th Street  
Austin, Texas 78701  
(512) 416-4700  
<https://txdot.txdotcms.com>

### Step 2: Log in to DMS

Click the link provided in the email and log in to DMS.



**Texas Department of Transportation**

## Diversity Management System

[Home/Login](#)

### System Access Login

Username:

Password:

☐ Remember username

- [Search the Texas Unified Certification Program \(TUCP\) and TxDOT SBE Directory](#)
- [Apply for Certification](#)
- [Help/First Time Visitors](#)
- [Account Lookup](#)
- [Reset Password](#)
- [Contact Us and Support](#)
- [About the Diversity Management System](#)
- [Information for Staff](#)
- [Training and Events](#)

### Diversity Management System

TxDOT is pleased to provide its Diversity Management System. The following key features are available, depending upon levels of access:

- Enhanced online DBE and SBE Directory with keyword search capabilities
- Enhanced online certification applications
- Flexible reporting capabilities

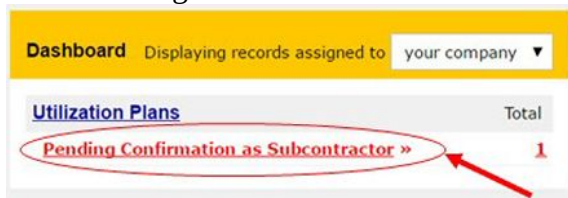
[Customer Support](#) The Diversity Management System is powered by [B2Gnow](#) Software.

If email link is not available proceed to **STEP 3**, otherwise proceed to **STEP 4**.

### Step 3: Navigate to Utilization Plans: Confirm Participation

Log in to DMS (<https://txdot.txdotcms.com/>) and find on your Dashboard the **Utilization Plans, Pending Confirmation as Subcontractor** icon.

- Click Pending Confirmation as Subcontractor



- Click Confirm



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View	Status	Status Date	Organization	Reference
	Pending Confirmation by Sub		All	All
<b>Confirm</b>	<b>1 Assignment Pending Confirmation By Subcontractor</b>	11/15/2016	Texas Department of Transportation	0009-11-999: Turn Lanes, Rehab Shoulders and Overlay Ref: TxDOT Test Contract

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## 3. Click Confirm proposed utilization

**Utilization Plans: Confirmation Actions**

Listed below are the available confirmation actions for on this utilization plan.

**Plan Information**

Organization	Texas Department of Transportation
Proposal	0009-11-999: Turn Lanes, Rehab Shoulders and Overlay
Reference	TxDOT Test Contract
Phase	Original, version 0
****PRIME****	TxDOT Test Prime Vendor 8
Notification Date	11/15/2016

Submit a response for the listed item by clicking the link.

**Plan Assignments**

Category	Action Required & Response Due Date
Tier 1 Supplier (Regular Dealer) to TxDOT Test Prime Vendor 8	<b>Confirm proposed utilization</b> due by ASAP

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**Step 4: Confirm Participation**

On this page the DBE firm is required to confirm the commitment is correct, and to e-sign.

## Utilization Plans: Confirm Participation

Help & Tools [Return](#)

Texas Department of Transportation requires that you confirm the proposed utilization as detailed by **TxDOT Test Sub Vendor 3**. Fill in the form and click **Save**.

\* required entry

## Vendor Information

Vendor Name	TxDOT Test Sub Vendor 3
Vendor Contact Person	TxDOTSub Test3
Phone	650-555-5555
Email	txdottestsub3@b2gnowuser.com
Address	1234 Main St. Somewhere, TX 78701

## Proposed Utilization

Subcontractor Tier	Tier 1 Subcontractor to TxDOT Test Prime Vendor 8
Proposed Amount	\$75,000
Type of Participation	<b>Supplier - Regular Dealer at 60.0% Participation</b> - An established, regular business that engages, as its principal business, in the purchase, sale, or lease of the products being supplied.
Work Description	Supply Road Signage 644-6001
Work Codes	NAICS 423510 Metal Service Centers and Other Metal Merchant Wholesalers ( <a href="#">More</a> )
Estimated Start Date	10/3/2016
Estimated End Date	11/18/2016
Attached File(s)	<a href="#">View Attachments</a>

Please confirm participation and details listed in the commitment form. Click "View Attachments" above to download and verify commitment form signed by the Prime Contractor.

## Assignment Confirmation

Confirmation *	<input checked="" type="radio"/> YES, the proposed utilization is confirmed. <input type="radio"/> NO, the proposed utilization cannot be confirmed for the reason(s) detailed below.
Attached File(s)	<a href="#">Attach File</a> Click "Attach File" above to add additional documents.
Comments	<div></div> <p>These comments are visible to the organization and prime contractor.</p>

For your eSignature, type your full, legal name as your signature, your position/title, organization, and today's date.

## eSignature

Your Full Name *	Test Sub Contact
Your Position/Title *	President
Your Organization *	TxDOT Test Sub Vendor 3
Today's Date *	11/15/2016 (mm/dd/yyyy)
Confirmation	<input checked="" type="checkbox"/> Send me a confirmation of my response.

☒ By electronically signing this utilization plan, I hereby attest that the information contained herein and attached in electronic format is accurate and correctly represents my firm.

[Save](#)[Cancel](#)

### Section 3: If Prime Submits UP Prior to Confirmation by All DBE Contractors

If all DBE subcontractors are not confirmed before the five day deadline expires, the prime contractor can submit the UP for conditional approval and still be in compliance with federal regulations.

CIV will conditionally approve the plan and send it back to the prime contractor to continue obtaining the required DBE subcontractor approvals prior to contract execution.

In the event that the prime contractor has submitted the UP with unconfirmed DBE commitments the following conditions will exist, while CIV has the UP record:

- The DBE subcontractor will not be able to confirm their participation.
- The prime contractor will not be able to access or make any changes to the UP.
- The prime contractor may withdraw their UP to make necessary changes.

#### Utilization Plans: Confirmation Actions

[Help & Tools](#)

Listed below are the available confirmation actions for on this utilization plan.

Plan Information	
Organization	Texas Department of Transportation
Proposal	0009-11-999: Turn Lanes, Rehab Shoulders and Overlay
Reference	Turn Lanes, Rehab Shoulders and Overlay
Phase	Original, version 0
Prime Contractor	TxDOT Test Prime Vendor 8
Notification Date	4/12/2017

Plan Assignments	
Category	Action Required & Response Due Date
Tier 1 Trucking & Hauling to TxDOT Test Prime Vendor 8	<u>Confirmation no longer required</u>

Once CIV has conditionally approved and released the plan back to the prime contractor, the remaining DBE subcontractor commitments should be confirmed as soon as possible. The prime contractor may contact the DBE subcontractor directly, or send a reminder using DMS, to alert the DBE that they can log in to DMS and confirm participation on a UP.

For assistance during this process, the DBE subcontractor should contact the prime contractor for information on the status of the UP and for guidance on when to confirm participation.

## **Chapter 9: Race-Neutral Participation**

### **Contents:**

[Section 1: Overview](#)

## Section 1: Overview

The Federal DBE Program requires state transportation agencies to meet the maximum feasible portion of their overall DBE goals using race-neutral measures. Race-neutral measures are initiatives that encourage the participation of all businesses, or all small businesses, and are not specifically limited to DBEs.

As part of doing so, agencies must project the portion of their overall DBE goals that they expect to meet through race-neutral and race-conscious programs.

- TxDOT uses a combination of race-neutral and race-conscious measures to meet its overall DBE goals. TxDOT projects that some percent of its overall DBE goal would be met through neutral means and that the remainder would be met through race-conscious means.
- TxDOT uses DMS to track race-conscious and race-neutral participation on federal-aid projects.
- Prime contractors must report race-neutral participation, in DMS, on federal-aid contracts on which the assigned goal is 0% or on projects with goals greater than 0%.
- Any work done by a race-neutral DBE regardless of NAICS codes may be counted provided they are performing a CUF.
- Termination and substitution policy and procedures do not apply to race-neutral participation.
- CUF reviews must be performed on all race-neutral participation on projects with and without goals.

## **Chapter 10: Contract Award and Subcontract Execution**

### **Contents:**

[Section 1: Subcontracts](#)

[Section 2: DBE Trucking Utilization](#)

## **Section 1: Subcontracts**

In accordance with TxDOT Standard Specifications, the prime contractor must submit a copy of the executed subcontract agreement or purchase order for all DBE subcontracts including all tiered DBE subcontracts on federal-aid projects.

### **Subcontract Agreement**

The prime contractor must incorporate the following TxDOT provisions in all subcontract agreements or material purchase agreements:

- Disadvantaged Business Enterprise in Federal-Aid Contracts (000-394)
- Special Provision Measurement and Payment (009-009)
- Contract Assurance (49 CFR, Part 26.13)

### **Submission**

The District will check the following is present in all DBE subcontracts:

- DBE certification is valid at the time of subcontract execution
- Signature of prime contractor and DBE subcontractor
- The dollar amount of DBE subcontract is equal or greater than the commitment and the scope of work does not differ from the commitment

### **DBE Best Practices**

Ensure your firm has copies of subcontract agreements.

- Ensure the above noted provisions are included in subcontract agreement.
- Follow up with the prime contractor if there are issues with the subcontract agreement.
- Monitor prime contractor efforts to meet its contractual commitment obligation.

## Section 2: DBE Trucking Utilization

Prime contractors will provide to the District a completed DBE Trucking Utilization [Form 2660](#). The form will be submitted to the District after the contract has been executed and will not be submitted with the UP.

In order to complete the form, the prime contractor will request, from the DBE trucking firm, the following:

- The number of hours or quantities to be hauled.
- The number of fully operational trucks owned by the DBE.
- The number of leased trucks to be used on the project, with copies of the lease agreements.
- The information required for the DBE truck unit listing on Form 2660.

The District will review and approve the form. This review and approval process must be conducted prior to the prime contractor beginning any hauling services being performed for DBE credit.



## Chapter 11: Pre-Construction Conference

### Contents:

[Section 1: Overview](#)

## Section 1: Overview

District staff will discuss the DBE requirements of the contract at the pre-construction conference to ensure that the prime contractor is aware of its DBE obligations and is informed of the administrative and reporting procedures that will be utilized by TxDOT.

The district staff will discuss, at a minimum, the following:

- The assigned DBE goal for the project
- The DBE subcontractors that will be participating in the project
- The prime contractor requirement to make a good faith effort to meet the assigned goal
- District responsibility to monitor and ensure a commercially useful function (CUF) is performed
- The prime contractor complies with prompt payment requirements
- The DMS reporting process to include:
  - Reporting payments within 15 days after the end of a calendar month.
  - Adding subcontractors to include race-neutral DBEs.
- The Termination/Substitution process
- The approval process and use of joint checks

## Chapter 12: Payments

### Contents:

[Section 1: Overview](#)

[Section 2: Payment Reporting in DMS](#)

[Section 3: Payment Reporting When a Prime Contractor is a DBE](#)

## Section 1: Overview

### Prompt Payment

49 CFR, Part 26.29 requires DBE and non-DBE subcontractors to be paid promptly. TxDOT interprets prompt payment to mean the prime contractor will pay each subcontractor for satisfactory performance of its contract no later than ten days from receipt of each payment the prime contractor receives from TxDOT. The prime contractor will pay any retainage on a subcontractor's work within ten days after satisfactory completion of all the subcontractor's work.

The prompt payment clause is referenced in TxDOT's Special Provision 009-009 Measurement and Payment. The prime contractor should include in its subcontracts the same prompt payment provision.

Satisfactory completion is accomplished when:

- The subcontractor has fulfilled the contract requirements of both TxDOT and the sub- contract for the subcontracted work, including the submittal of all information required by the contract and TxDOT.
- TxDOT has inspected and approved the subcontractor's work, and paid by TxDOT.

TxDOT may pursue actions against the prime contractor for failure to execute prompt payment requirements. The penalties imposed by TxDOT may include, but are not limited to: withholding all or a portion of an estimate, suspending work, withholding project acceptance, placing prime contractor in default for breach of contract, or other actions deemed appropriate.

## Section 2: Payment Reporting in DMS

### Understanding the Audit Process

After a contract record has been created in DMS and TxDOT begins making payments to the prime contractor, the contract is ready for auditing. Auditing is generated on a monthly basis.

The following image represents the audit process:

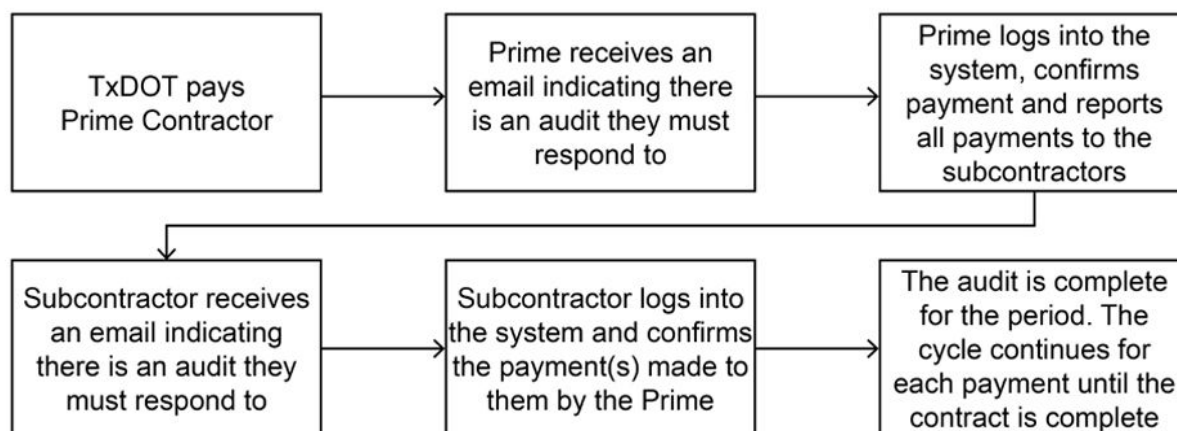


Figure 12-1. Audit process for a contract record in DMS.

A prime contractor working on federal-aid projects is responsible for the reporting of all payments to its DBE subcontractors in DMS. DBE subcontractors are responsible for verification and confirmation of payment data received from the prime contractor in DMS. The prime contractor will include payment entries to non-DBE subcontractors whenever there is a DBE associated with a second or multi-tiered subcontract. A DBE prime contractor is responsible for reporting payments to all subcontractors in DMS.

The prime contractor will report payments, after work begins, to meet the DBE goal and for DBE race-neutral participation on projects with and without DBE goals. These reports will be due within fifteen days after the end of a calendar month. These reports will be required until all DBE subcontracting or material supply activity is completed.

See the reporting timeline example below:

Reporting Timeline

Date	Action
March 10 <sup>th</sup>	TxDOT pays prime contractor.
March 20 <sup>th</sup>	Prime contractor pays DBE subcontractor.
April 5 <sup>th</sup>	DMS alerts prime contractor to report March subcontractor payments.

### Reporting Timeline

Date	Action
April 15 <sup>th</sup>	Prime contractor completes entering payments.
April 22 <sup>nd</sup>	DBE subcontractor confirms payment received.
April 23 <sup>rd</sup> – 30 <sup>th</sup>	District staff completes reporting audit.

### Subcontractor Verification of Payments

DMS will notify a subcontractor by system generated e-mail when payment is recorded by the prime contractor. Once notified, the subcontractor will have seven days to log in to DMS and agree or disagree with payment reported by the prime contractor.

#### Step 1: Click the link provided in the e-mail below:

From: Texas Department of Transportation  
 Date: 11/14/2016 11:58:52 AM  
 Subject: TxDOT: Subcontractor Contract Compliance Monitoring Report

Texas Department of Transportation October 2016 Subcontractor Contract Compliance Monitoring Report

Contract: Turn Lanes, Rehab Shoulders and Overlay  
 Prime Contractor: TxDOT Test Prime Vendor 8  
 Contract Number: 0009-11-999  
 Audit Time Period: October 2016  
 Contract Compliance Officer: Daniel Williams  
 Reference: TxDOT Test Sub Vendor 5

Dear TxDOT Test Sub Vendor 5,

The Civil Rights Division monitors participation on all Texas Department of Transportation contracts with goals. To assist our office in the monitoring process, please use the link below to provide the requested subcontractor payment information for October 2016.

If you have received this notice, then you are currently listed as a SUBCONTRACTOR on an active Texas Department of Transportation contract. You are required to respond to this notice with the payment information requested.

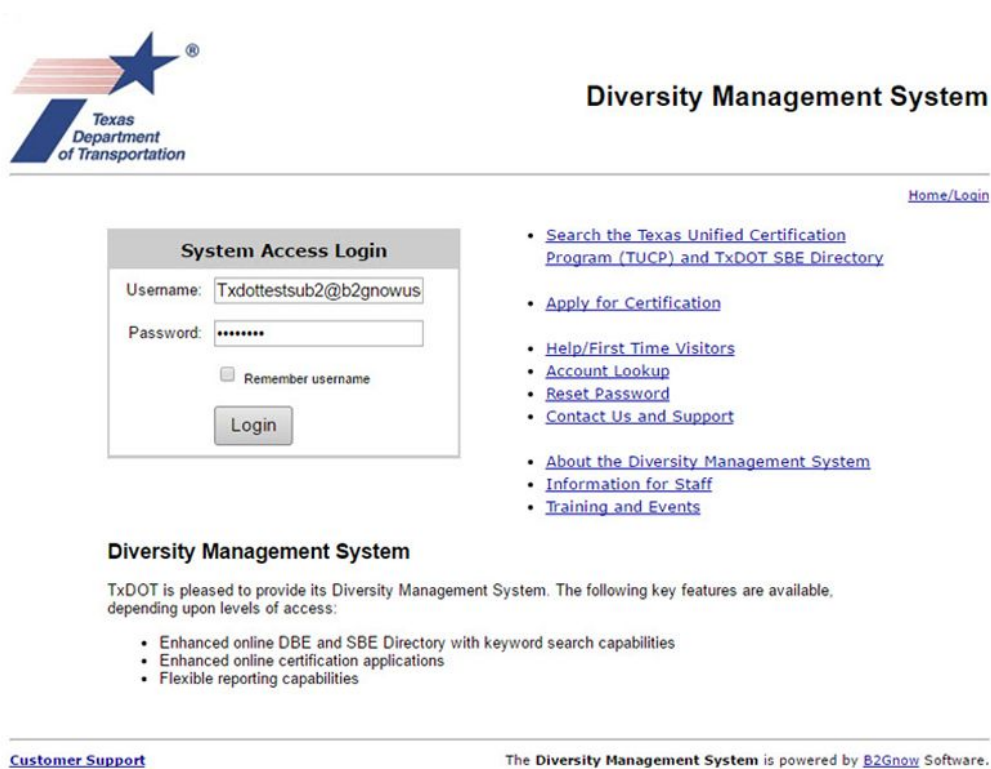
To respond, visit: [https://txdot.txdotcms.com/ca.asp?Code=\[lblAuditCode\]&PIN=\[lblAuditPIN\]](https://txdot.txdotcms.com/ca.asp?Code=[lblAuditCode]&PIN=[lblAuditPIN])

Audit Code: GDDAFYNN  
 Audit PIN: YG7B4F3W

To view all audits on this contract, visit: <https://txdot.txdotcms.com/?GO=753>

Texas Department of Transportation  
 Civil Rights Division  
 125 East 11th Street  
 Austin, Texas 78701  
 (512) 416-4700  
<https://txdot.txdotcms.com>

**Step 2:** After clicking the link, the subcontractor will be directed to the DMS log in interface to sign in. After log in, DMS will navigate directly to the incomplete audit listed in the e-mail.



**System Access Login**

Username: Txdottestsub2@b2gnowus

Password: \*\*\*\*\*

☐ Remember username

Login

[Home/Login](#)

- [Search the Texas Unified Certification Program \(TUCP\) and TxDOT SBE Directory](#)
- [Apply for Certification](#)
- [Help/First Time Visitors](#)
- [Account Lookup](#)
- [Reset Password](#)
- [Contact Us and Support](#)
- [About the Diversity Management System](#)
- [Information for Staff](#)
- [Training and Events](#)

**Diversity Management System**

TxDOT is pleased to provide its Diversity Management System. The following key features are available, depending upon levels of access:

- Enhanced online DBE and SBE Directory with keyword search capabilities
- Enhanced online certification applications
- Flexible reporting capabilities

[Customer Support](#)

The Diversity Management System is powered by [B2Gnow](#) Software.

Note: If the e-mail link is not available, use the following instructions to navigate to the incomplete audit.

1. Log in to DMS.
2. Click View in the left margin.
3. Click My Contract Audits.
4. Click on Incomplete to report payments and continue to Step 3 below.

**Step 3:** Click Confirm payment received.

## Compliance Audit: Audit Notice for October 2016

Help &amp; Tools

[Contract Main](#) | [View Contract](#) | [Subcontractors](#) | [Compliance Audit List](#) | [Messages](#) | [Comments](#) | [Reports](#)

Texas Department of Transportation  
0009-11-999: Turn Lanes, Rehab Shoulders and Overlay  
Prime: TxDOT Test Prime Vendor 8

Status: **Open**  
4/1/2016 - 10/31/2016  
Current Value: \$2,250,000

This is an audit notice for the contract listed below. Submit a response for each item listed below by clicking each link in the **Audit Actions** table. It is possible that some actions are not available at a specific time due to pending reports from other contractors.

## Audit Information

Time Period: **October 2016**  
Date & Time Posted: **Local: 11/15/2016 3:30:12 PM CST**  
**System: 11/15/2016 3:30:12 PM CST**

You are assigned to this contract in multiple capacities. Submit a response for each item listed below by clicking each link. It is possible that some actions are not available at a specific time. As a **subprime** your responsibility is to confirm payments made **to** you by the prime or higher level subcontractors and report payments made **by** you to lower subcontractor levels. As a **subcontractor** your responsibility is to confirm payments made to you by the prime or higher level subcontractors.

## Audit Actions

Category	Action Required & Response Due Date
Tier 1 Subcontractor to TxDOT Test Prime Vendor 8	Sub: <b>Confirm payment received</b> due by 11/22/2016 audit lock on 12/15/2016 SubPrime: <a href="#">View audit response</a>

## Compliance Officer Information

Contact Person: [Daniel Williams](#)  
Organization: **Texas Department of Transportation**  
User Number: [30000082-051](#)

## Buyer/Project Manager Information

Contact Person: [Contact Person](#)  
Department: **Dallas District**  
User Number: [10002457-001](#)

**Step 4:** Verify the payment amount and details provided by the prime contractor.

**Audit Information**  
Amount Reported by the prime contractor for October 2016 as PAID to You  
**\$107,000.00**  
Payment Detail Provided by Prime:  
Check #12334  
Confirm Reported Amount? \*

If the subcontractor selects **Correct** for the payment, then they are asked to enter the payment date and if they were paid within ten days.

Confirm Reported Amount? \*

[Show all options and fields](#)

☒ **Correct** - the amount reported by the prime contractor as PAID to us is correct (\$107,000.00).

1. Payment Date: \*  (mm/dd/yyyy)  
» If multiple payments were received, enter the date of the **first** payment.

2. Were you paid in accordance with the organization's prompt payment policy? \*  
» According to our records, the prime contractor was paid on 10/10/2016.  
☒ Yes - we were paid within 10 days of the prime being paid on 10/10/2016.  
☐ No - we were not paid within 10 days of the prime being paid on 10/10/2016.  
☐ N/A - we cannot determine if we were paid promptly.

3. Is the amount above a **partial** payment relative to your invoiced amount? \*  
☐ Yes - we were **partially** paid.  
☒ No - we were paid in **full**.

☐ **Incorrect** - the amount reported by the prime contractor as PAID to us is not correct.

If the subcontractor selects **Incorrect** for the payment total, DMS will prompt the subcontractor to enter the amount it was paid. The subcontractor is then asked to enter the payment date and if it



was paid within ten days. See the following subsection, **Payment Discrepancy** for additional actions.

☒ **Incorrect** - the amount reported by the prime contractor as PAID to us is not correct.

☐ We received **no** payment in April 2016.

☐ We were paid a **different** amount in April 2016 than reported (\$67,500.00).

**1. Enter the amount you actually received from the prime contractor in April 2016: \***

\$

**2. Payment Date: \***  (mm/dd/yyyy)

» If multiple payments were received, enter the date of the **first** payment.

**3. Were you paid in accordance with the organization's prompt payment policy? \***

» According to our records, the prime contractor was paid on 5/5/2016.

☐ Yes - we were paid within 10 days of the prime being paid on 5/5/2016.

☐ No - we were not paid within 10 days of the prime being paid on 5/5/2016.

☐ N/A - we cannot determine if we were paid promptly.

**4. Is the amount above a partial payment relative to your invoiced amount? \***

☐ Yes - we were **partially** paid.

Enter the amount you invoiced: \$

☐ No - we were paid in **full**.

**Step 5:** Identify if payment is final or not. By selecting **Yes** the subcontractor will be removed from future audits.

**Step 6:** Identify if the prime contractor is withholding retainage and the amount retained.

**Step 7:** Attach file(s) as necessary.

**Step 8:** There are two comment boxes that can be used to communicate the issue with payment.

- The first box, **Public Comments**, is visible to the prime contractor and TxDOT compliance staff.
- The second box, **Private Comments**, is visible only to the TxDOT compliance staff.

**Step 9:** Check the confirmation statement: I am submitting this form with information that I understand to be correct and accurate.

**Step 10:** Click Save.

<b>Final Payment? *</b>	
<input type="radio"/>	No - our work on this contract continues.
<input checked="" type="radio"/>	Yes - this is our last payment for this contract.
<input type="radio"/>	N/A - we have not begun work on this project or we have not been paid yet for our work.
<b>Is Prime Withholding Retainage? *</b>	
<input checked="" type="radio"/>	No
<input type="radio"/>	Yes
<b>Attach File(s)</b>	
<input type="button" value="Attach File"/>	
<b>Public Comments</b>	
These comments are visible to the compliance officer and the prime contractor.	
<div></div>	
<b>Private Comments</b>	
These comments are visible ONLY to the compliance officer.	
<div></div>	
<b>Confirmation</b>	<input checked="" type="checkbox"/> Send me confirmation of my response.

☒ I am submitting this form with information that I understand to be correct and accurate.

## Payment Discrepancy

If a prime contractor and subcontractor disagree on an amount paid, the system creates a discrepancy. The system sends an e-mail message to the contractors to notify them of the issue and request they resolve the discrepancy. If they are unable to resolve the discrepancy, the district staff may be required to take action.

When a subcontractor selects Incorrect in Step 4 above, a discrepancy is created and the following process is required:

- The monthly payment record will be sent back to the prime contractor by DMS to review the payment difference and comments that the subcontractor has made.
- The prime contractor may correct an error and re-submit to the subcontractor for review again.
- The subcontractor and the prime contractor should work together to resolve any payment discrepancies. After two attempts to resolve the discrepancy, DMS will turn over the audit record to the district staff.

**Subcontractor and Material Supplier Complaints**

Complaints must be in writing. The complaint should identify specifics regarding the nonpayment, payment discrepancy, timeliness (10 days) and any attempts to resolve the payment issue with the prime contractor.

## Section 3: Payment Reporting When a Prime Contractor is a DBE

### Overview

If a DBE firm is the prime contractor, all DBE and non-DBE subcontractors must be included in the payment reporting audits. DMS will tally DBE goal credit when the DBE subcontractor is used. DMS will also track payments to non-certified subcontractors. The contract amount remaining will be the total the prime contracting DBE firm has completed as self-performing. One hundred percent (100%) of the remaining self-performing amount in addition to any DBE subcontractor totals will be counted toward the overall TxDOT DBE goal.

Note: When completing a Utilization Plan it is not required to include all non-DBE subcontractors at that time. They can be added in DMS after the contract is initiated using the guidance provided in the Prime Contractors' DBE Guide, Chapter 10.

### How to Report Payments

By the fifth of each month, DMS will notify the prime contractor by a system generated e-mail to report payments to subcontractors.

**Step 1:** Click the link provided in the e-mail below:

From: Texas Department of Transportation  
Date: 11/4/2016 11:28:31 AM  
Subject: TxDOT: Prime Contractor Compliance Monitoring Report

Texas Department of Transportation October 2016 Prime Contractor Contract Compliance Monitoring Report

Contract: Turn Lanes, Rehab Shoulders and Overlay  
Prime Contractor: TxDOT Test Prime Vendor 8  
Contract Number: 0009-11-999  
Audit Time Period: October 2016  
Contract Compliance Officer: Daniel Williams

Dear Contact Person,

The Civil Rights Division monitors participation on all Texas Department of Transportation contracts with goals. To assist our office in the monitoring process, please login to your account in the Diversity Management Software and provide the requested subcontractor payment information for October 2016.

If you have received this notice, then you are currently listed as a PRIME contractor on an active Texas Department of Transportation contract. You are required to respond to this notice with the payment information requested.

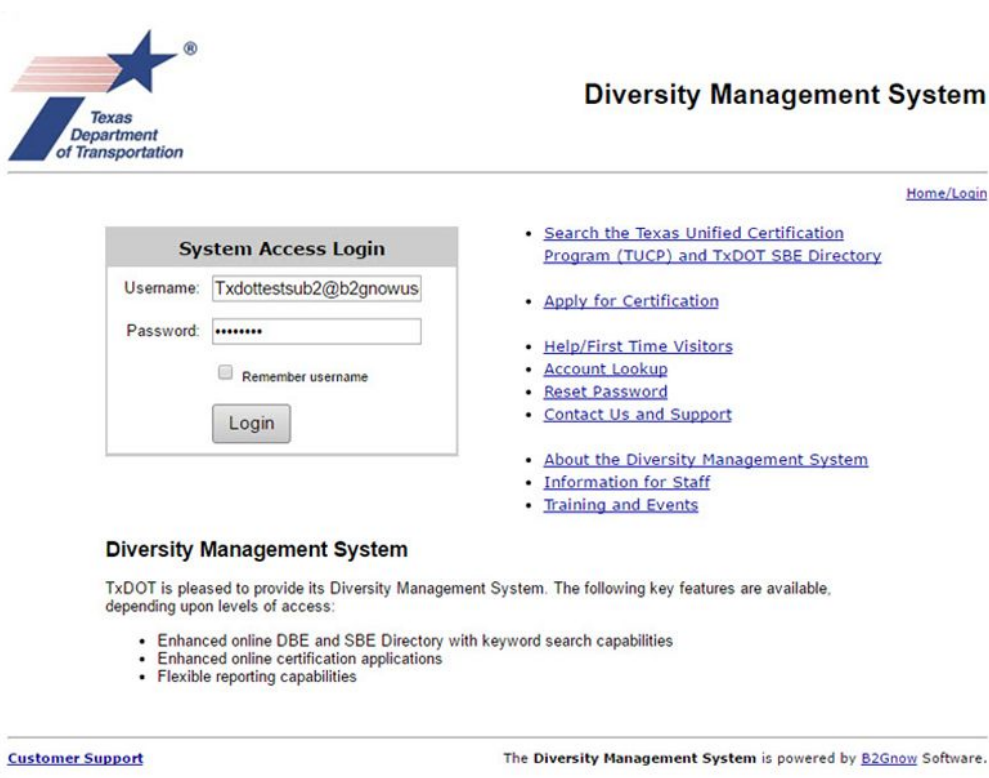
To view the audit notice and respond, visit: <https://txdot.txdotcms.com/?GO=397>

To view all audit notices, visit: <https://txdot.txdotcms.com/?GO=753>

PLEASE REFER TO THE BOTTOM OF THIS NOTICE FOR ADDITIONAL HELP

Texas Department of Transportation  
Civil Rights Division  
125 East 11th Street  
Austin, Texas 78701  
(512) 416-4700  
<https://txdot.txdotcms.com>

**Step 2: Log in to DMS**



The screenshot shows the Texas Department of Transportation logo on the left, featuring a blue star and the text "Texas Department of Transportation". To the right, the title "Diversity Management System" is displayed. Below the title is a "Home/Login" link. The main content area is divided into two sections. On the left is a "System Access Login" box with fields for "Username" (containing "Txdottestsub2@b2gnowus") and "Password" (containing "\*\*\*\*\*"), a "Remember username" checkbox, and a "Login" button. On the right is a list of links: "Search the Texas Unified Certification Program (TUCP) and TxDOT SBE Directory", "Apply for Certification", "Help/First Time Visitors", "Account Lookup", "Reset Password", "Contact Us and Support", "About the Diversity Management System", "Information for Staff", and "Training and Events". Below the login box is a section titled "Diversity Management System" with a paragraph stating: "TxDOT is pleased to provide its Diversity Management System. The following key features are available, depending upon levels of access:". This is followed by a bulleted list: "Enhanced online DBE and SBE Directory with keyword search capabilities", "Enhanced online certification applications", and "Flexible reporting capabilities". At the bottom left is a "Customer Support" link, and at the bottom right is the text "The Diversity Management System is powered by B2Gnow Software."

**System Access Login**

Username: Txdottestsub2@b2gnowus

Password: \*\*\*\*\*

☐ Remember username

Login

[Home/Login](#)

- [Search the Texas Unified Certification Program \(TUCP\) and TxDOT SBE Directory](#)
- [Apply for Certification](#)
- [Help/First Time Visitors](#)
- [Account Lookup](#)
- [Reset Password](#)
- [Contact Us and Support](#)
- [About the Diversity Management System](#)
- [Information for Staff](#)
- [Training and Events](#)

**Diversity Management System**

TxDOT is pleased to provide its Diversity Management System. The following key features are available, depending upon levels of access:

- Enhanced online DBE and SBE Directory with keyword search capabilities
- Enhanced online certification applications
- Flexible reporting capabilities

[Customer Support](#)

The Diversity Management System is powered by [B2Gnow](#) Software.

NOTE: If the e-mail link is not available, use the following instructions to navigate to the incomplete audit.

1. Log in to DMS.
2. Click **View** in the left margin.
3. Click **My Contract Audits**.
4. Click on **Incomplete** to report payments and continue to Step 3 below.

**Step 3:** Click Report Subcontractor Payment.

## Compliance Audit: Audit Notice for October 2016

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Texas Department of Transportation  
0009-11-999: Turn Lanes, Rehab Shoulders and Overlay  
Prime: TxDOT Test Prime Vendor 8

Status: **Open**  
4/1/2016 - 10/31/2016  
Current Value: \$2,250,000

This is an audit notice for the contract listed below. Submit a response for each item listed below by clicking each link in the **Audit Actions** table. It is possible that some actions are not available at a specific time due to pending reports from other contractors.

## Audit Information

Time Period	October 2016
Date & Time Posted	Local: 11/15/2016 3:30:12 PM CST System: 11/15/2016 3:30:12 PM CST

Submit a response for each item listed below by clicking each link. It is possible that some actions are not available at a specific time. As the **prime contractor** your responsibility is to report payments made to subcontractors.

## Audit Actions

Category	Action Required & Response Due Date
Prime Contractor	<a href="#">Report 3 subcontractor payments</a> due by 11/30/2016 audit lock on 12/15/2016

## Compliance Officer Information

Contact Person	<a href="#">Daniel Williams</a>
Organization	Texas Department of Transportation
User Number	<a href="#">30000082-051</a>

## Buyer/Project Manager Information

Contact Person	<a href="#">Contact Person</a>
Department	Dallas District
User Number	<a href="#">10002457-001</a>

**Step 4:** Select a subcontractor to report payment to and click **Submit Response** or the prime contractor can complete bulk payment reporting, by clicking **Submit all Incomplete Records**.

Mark 3 Remaining Subcontractors as Zero

Mark Audit as Final

Submit ALL Incomplete Records

Report Error

## Subcontractor Payments for October 2016

Subcontractor	Certified	Type	Inc. in Goal	Actions	Paid Amount in October 2016	Confirmed by Sub	Total To October 2016	Contract Goal	Actual Percent
<b>1</b> <a href="#">TxDOT Test Sub Vendor 2</a> <a href="#">TxDOTSub_Test2</a> <a href="#">txdottestsub2@b2gnowuser.com</a> P 650-555-5555		Truck/Haul 100%	DBE	Not included in audit (Final payment made) <a href="#">Add to audit</a>			\$67,500.00	3.000%	3.000%
<b>1</b> <a href="#">TxDOT Test Sub Vendor 3</a> <a href="#">TxDOTSub_Test3</a> <a href="#">txdottestsub3@b2gnowuser.com</a> P 650-555-5555		Reg. Dealer 60%	DBE	<a href="#">Submit Response</a>	Not Reported	--	\$0.00	3.333%	0.000%
<b>1</b> <a href="#">TxDOT Test Sub Vendor 5</a> <a href="#">TxDOTSub_Test5</a> <a href="#">txdottestsub5@b2gnowuser.com</a> P 650-555-5555		Sub 100%	DBE	<a href="#">Submit Response</a>	Not Reported	--	\$50,500.00	6.930%	2.244%
<b>2</b> <a href="#">TxDOT Test Sub Vendor 1</a> <a href="#">TxDOTSub_Test1</a> <a href="#">txdottestsub1@b2gnowuser.com</a> P 602-325-9277		Sub 100%	DBE	<a href="#">Submit Response</a>	Not Reported	--	\$0.00	0.070%	0.000%

Click subcontractor name to view payment history for this contract. Click contact person's name to send them a message.

**Step 5:** Enter payment amount, payment date and payment promptness.

**Step 6:** Enter the invoice and check numbers in the Payment Detail field.

**Step 7:** Attach any document by clicking **Attach File**.

**Step 8:** Click **Review**



Audit Information	
Enter the audit amount for the designated time period. You can attached files or add comments, if necessary.	
Amount PAID for October 2016 *	<div>\$ 107000</div> <div>&gt;&gt; Do NOT enter invoice amount. &gt;&gt; Enter full amount paid; do not deduct payments by this subcontractor to its own subcontractors</div>
Payment Date *	<div>10/20/2016</div> <div>&gt;&gt; Enter payment date if you made a payment for October 2016. &gt;&gt; If multiple payments were made, enter the date of the <b>first</b> payment.</div>
Prompt Payment? *	<div>&gt;&gt; Select a choice below if you made a payment for October 2016.</div> <div><input checked="" type="radio"/> Yes - the subcontractor was paid within 10 days of payment from TxDOT Test Prime Vendor 8. <input type="radio"/> No - the subcontractor was not paid within 10 days of payment from TxDOT Test Prime Vendor 8. <input type="radio"/> N/A - we cannot determine if the subcontractor was paid promptly.</div>
Payment Detail	<div>Enter details of PAID check numbers (or ACH references) and amounts for October 2016. This information is optional but will speed up the confirmation process. Payment details are displayed to TxDOT Test Sub Vendor 5.</div> <div>Check #12334</div>
Supporting Documents	<div>Attach File</div> <div>Attached documents are not visible to TxDOT Test Sub Vendor 5.</div>
Comments	<div>(Optional) These comments are visible ONLY to your compliance officer. They are not visible to TxDOT Test Sub Vendor 5.</div> <div></div>

Spell Check


Review

Cancel

**Step 9:** Review content and click **Save**.



## Compliance Audit: Review Response

Help & Tools 
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Texas Department of Transportation  
 0009-11-999: Turn Lanes, Rehab Shoulders and Overlay  
 Prime: TxDOT Test Prime Vendor 8

Status: **Open**  
 4/1/2016 - 10/31/2016  
 Current Value: **\$2,250,000**

Review the audit reponse and click **Save**. If you need to make a change, click any of the blue **Edit** buttons.

Audit Information		Edit
Audit Time Period	October 2016	
Audit Number	01858941-008	

Subcontractor Information		Edit
Business Name	TxDOT Test Sub Vendor 5	
Vendor Number	20440871	
Subcontractor Tier	Tier 1 subcontractor to TxDOT Test Prime Vendor 8	

Data Reported		Edit
Paid Amount for October 2016	\$107,000.00	
Payment Date	10/20/2016	
Prompt Payment?	Yes	
Payment Detail	Check #12334	
Comments		

Edit

Save

Cancel

**Step 10:** Complete steps 4-9 for each subcontractor.

## Chapter 13: Joint Checks

### Contents:

[Section 1: Joint Check Process](#)

## Section 1: Joint Check Process

A joint check is a two-party check between a DBE subcontractor and a prime contractor to submit to a materials supplier of the DBE. The prime contractor issues a check as payer to the DBE subcontractor and the materials supplier jointly to guarantee payment to the supplier for the materials or supplies used by the DBE subcontractor.

Any joint check arrangement must be pre-approved by TxDOT before the arrangement or transaction takes place. The prime contractor should submit the Joint Check Approval [Form 2178](#) to the District.

Prime contractors need to attach:

- Form 2178
- Correspondence showing the rejection of a line of credit from the material supplier to the DBE subcontractor
- A joint check agreement

The use of joint checks for payment of materials or supplies is acceptable when the following conditions are met:

- The prime contractor issuing the check acts solely as guarantor.
- The DBE subcontractor must release the check to the supplier.
- The DBE subcontractor (not the prime contractor) negotiates the quantities, price and delivery of materials.
- The DBE subcontractor is responsible for both furnishing and installing the materials or supplies.
- The prime contractor cannot require the subcontractor to use a specific supplier or the prime contractor's negotiated price.
- The arrangement is short-term with the purpose being the DBE subcontractor's establishment or increase of a credit line with the material supplier.
- The DBE subcontractor and the prime contractor must keep records of paid invoices and canceled checks as TxDOT will regularly be requesting them to ensure compliance.

## **Chapter 14: Assistance to DBE Firms**

### **Contents:**

[Section 1: Overview](#)

## **Section 1: Overview**

According to 49 CFR, Part 26, Appendix A, it is appropriate for prime contractors to provide assistance to DBEs in a variety of areas, such as bonding, credit, insurance, equipment, materials, and supplies.

In providing such assistance, a prime contractor should be careful not to provide so much assistance to a particular DBE in so many areas that TxDOT would conclude that the DBE is not viable without the relationship to the prime contractor. This assistance should be transparent and arms-length. As part of its contract performance oversight functions, TxDOT will continue to scrutinize the independence of DBEs as they work on projects.

## Chapter 15: Change Orders

### Contents:

[Section 1: Overview](#)

## **Section 1: Overview**

Circumstances may arise during construction requiring changes to the scope of the work contained in the contract; these are referred to as change orders. The prime contractor should closely monitor change orders to verify if adjusted items or work will impact DBE subcontracted items. The DBE goal applies to the final value of a contract to include all change orders.

### **Increases of Scope of Work**

If TxDOT issues a change order which increases or adds new work items, the prime contractor must ensure that it has obtained sufficient DBE participation to meet the contract goal on the final contract value or has made good faith efforts to do so.

If the prime contractor determines that additional DBE participation cannot be obtained, the prime contractor shall request a waiver of the participation after submitting documentation of good faith efforts to meet the DBE goal.

### **Reduction of Scope of Work**

If a change order eliminates work designated in a DBE commitment, the prime contractor must follow the termination procedures and must make a good faith effort to meet the DBE goal on the final contract value.

## **Chapter 16: Termination and Substitution Requests**

### **Contents:**

[Section 1: Termination and Substitution of a DBE](#)



## Section 1: Termination and Substitution of a DBE

### Overview

The prime contractor shall not terminate for convenience, in whole or part, a DBE subcontractor listed on the UP without the written concurrence of TxDOT. This includes, but is not limited to, instances in which a prime contractor seeks to perform work originally designated for a DBE subcontractor with its own forces or those of an affiliate, a non-DBE firm, or with another DBE firm. Unless consent is provided, the prime contractor will not be entitled to any payment for work or material unless it is performed or supplied by the listed DBE subcontractor.

Good cause for termination of the DBE includes, but is not limited to, the following circumstances:

- The listed DBE subcontractor fails or refuses to execute a written contract.
- The listed DBE subcontractor fails or refuses to perform the work of its subcontract in a way consistent with normal industry standards. Provided, however, that good cause does not exist if the failure or refusal of the DBE subcontractor to perform its work on the subcontract results from the bad faith or discriminatory action of the prime contractor.
- The listed DBE subcontractor fails or refuses to meet the prime contractor's reasonable, nondiscriminatory bond requirements.
- The listed DBE subcontractor becomes bankrupt, insolvent, or exhibits credit unworthiness.
- The listed DBE subcontractor is ineligible to work on public works projects because of suspension and debarment proceedings pursuant to 2 CFR, Parts 180 and 1200 or applicable state law.
- The prime contractor has determined that the listed DBE subcontractor is not a responsible contractor.
- The listed DBE subcontractor voluntarily withdraws from the project and provides written notice of its withdrawal.
- The listed DBE firm is ineligible to receive DBE credit for the type of work required.
- A DBE firm owner dies or becomes disabled with the result that the listed DBE contractor is unable to complete its work on the contract.
- Other documented good cause that the prime contractor determines may compel the termination of the DBE subcontractor.

Good cause does not exist if the prime contractor seeks to terminate a DBE subcontractor it relied upon to obtain the contract so that the prime contractor can self-perform the work for which the DBE subcontractor was engaged or so that the prime contractor can substitute another DBE or non-DBE subcontractor after contract award.

**Commitment Reductions**

A prime contractor cannot reduce the amount of work committed to a DBE at contract award without good cause. A reduction is considered a partial termination of the DBE's contract with the prime contractor.

**Termination Procedures**

**Step 1:** The prime contractor shall submit a request and justification for DBE termination to TxDOT.

- The prime contractor shall first give notice in writing to the DBE firm of its intent to terminate and the reason for the termination.
- The prime contractor will copy TxDOT on the Notice of Intent to Terminate correspondence.
- The DBE has five calendar days to respond to the prime contractor's notice and will advise the prime contractor and TxDOT of the reasons, if any, why it objects to the proposed termination of its subcontract and why TxDOT should not approve the prime contractor's request for termination.

**Step 2:** TxDOT will review the termination request and related information and if necessary seek additional information to formulate its response.

**Step 3:** TxDOT will provide written consent to the termination request within seven days only if TxDOT agrees, for reasons stated in its concurrence document, that the prime contractor has good cause to terminate the DBE firm. TxDOT may provide a shorter response time if required in a particular case as a matter of public necessity.

**Step 4:** If TxDOT does not approve the request, the prime contractor shall continue to use the committed DBE in accordance with the contract.

**If Termination Does Not Result in DBE Shortfall**

If termination of a DBE firm does not result in a DBE contract goal shortfall, the prime contractor is not required to find a substitute DBE firm.

**If Termination Results in a DBE Shortfall**

When a termination of a DBE firm results in a shortfall, the prime contractor must make good faith efforts to find, as a substitute for the original DBE, another DBE to perform, at least to the extent needed to meet the established contract goal. The prime contractor will document its good faith efforts to find and secure a substitute DBE within seven days, which may be extended for an additional seven days if necessary at the request of the contractor. The prime contractor will request, in writing, approval from TxDOT to utilize the substitute DBE.

TxDOT will respond in writing to the prime contractor's request to use the substitute DBE and may seek additional information as necessary to formulate its response.

If the substitution request is approved, the prime contractor will process the DBE substitution in DMS.

The substitute DBE cannot work on the contract until its work eligibility has been confirmed and required subcontracts, supply, trucking commitments, or other services have been approved by TxDOT.

### **Process When a Contractor Fails to Secure a Substitute DBE**

If a substitute DBE firm is not found that can perform at least the same amount of work as the terminated DBE, the prime contractor shall submit good faith effort documenting the steps taken.

Such documentation shall include, but not be limited to, the following:

- Copies of written notification soliciting DBEs.
- Efforts to negotiate with DBEs to include at a minimum:
  - The names, addresses, and telephone numbers of DBEs who were contacted.
  - A description of the information provided to DBEs regarding the plans and specifications for portions of the work to be performed.
- A list of reasons why DBE firm quotes were not accepted.
- TxDOT will provide the prime contractor with a written response either accepting or rejecting the prime contractor's good faith efforts. If the prime contractor's good faith efforts are rejected, TxDOT shall assess whether administrative remedies are appropriate.

## **Chapter 17: Monitoring DBE Activity**

### **Contents:**

[Section 1: Monitoring DBE Goal Attainment](#)

## Section 1: Monitoring DBE Goal Attainment

It is the prime contractor's responsibility to monitor its progress towards meeting the goal. Progress towards meeting the established DBE goal should be monitored on a monthly basis during the course of the project.

DMS includes information to monitor DBE goal attainment to include:

- DBE commitment amounts
- Payments to DBE subcontractors
- Modifications to the original contract amount by change order

The prime contractor should contact TxDOT should a concern arise that it will not meet the contract DBE goal and seek options available to meet the goal.

TxDOT will also be monitoring the DBE project goal. If a prime contractor is not meeting the project's DBE goal, TxDOT will send a "Not Meeting the Goal Letter" in DMS. The letter will notify the prime contractor to review its DBE goal attainment progress, and provide a corrective action plan to meet the goal or provide good faith efforts.

### Viewing the Audit Summary in DMS

On the **Contract Audit: Audit Summary for Total Contract** page, the prime contractor can view the total payments TxDOT paid to the prime contractor and the reported payments the prime contractor paid to its subcontractors. Compare the **For Credit Progress** bar graph to the **Contract Progress** bar graph.

Audit Summary - Total Contract					
	Current Award	Award Percent	Payments	Payments Percent	Difference (Payments - Award)
Prime Contract	\$2,250,000.00		\$1,725,000.00		
For Credit (4 subs)	\$270,000.00	12.000%	\$118,000.00	6.841%	5.159% below goal
For Credit to DBE Goal	\$270,000.00	12.000%	\$118,000.00	6.841%	5.159% below goal
For Credit to HUB Goal	\$0.00	0.000%	\$0.00	0.000%	Goal matched
Contract Progress	77% <div></div>				
For Credit Progress	44% <div></div>				

Amounts listed in the summary table above are payments retained by each subcontractor after payment of successive lower tier subcontractors. Award values may not match due to differences between overall contract goal and subcontractor assignments.

[Report Error](#)

Prime Contractor - Total Contract					
Prime Contractor		Cert	Inc in Goal	Contracted % Paid %	Paid TO Prime Prime's Share
TxDOT Test Prime Vendor 8 Prime Contact txdotestprime8a@b2gnowuser.com P 650-555-5555, F 650-555-5555	<a href="#">Payments</a> <a href="#">Email</a>	No	No	86.67% 93.16%	\$1,725,000 \$1,607,000

\* Amounts listed below are payments retained by each subcontractor after payment of successive lower tier subcontractors.

Subcontractor Payments for							
Subcontractor		Cert	Type	Inc in Goal	* Contracted % * Paid %	* Contracted \$ * Paid \$	For Credit \$
1 TxDOT Test Sub Vendor 2 TxDOTSub Test2 txdotestsub2@b2gnowuser.com P 650-555-5555	<a href="#">Payments</a> <a href="#">Email</a>	✓	Truck/Haul 100%	✓ DBE	3.00% 3.91%	\$67,500 \$67,500	\$67,500
1 TxDOT Test Sub Vendor 3 TxDOTSub Test3 txdotestsub3@b2gnowuser.com P 650-555-5555	<a href="#">Payments</a> <a href="#">Email</a>	✓	Reg. Dealer 60%	✓ DBE	3.33% 0.00%	\$75,000 \$0	\$0
1 TxDOT Test Sub Vendor 5 TxDOTSub Test5 txdotestsub5@b2gnowuser.com P 650-555-5555	<a href="#">Payments</a> <a href="#">Email</a>	✓	Sub 100%	✓ DBE	6.93% 2.93%	\$155,925 \$50,500	\$50,500
2 TxDOT Test Sub Vendor 1 TxDOTSub Test1 txdotestsub1@b2gnowuser.com P 602-325-9277	<a href="#">Payments</a> <a href="#">Email</a>	✓	Sub 100%	✓ DBE	0.07% 0.00%	\$1,575 \$0	\$0

The **For Credit \$** column shows the dollar amount of DBE participation the prime contractor has achieved. Use this amount to monitor attainment progress in comparison to the DBE Utilization Plan submitted.

## Chapter 18: Enforcement

### Contents:

[Section 1: Enforcement](#)

### **Section 1: Enforcement**

If the District determines the prime contractor has failed to meet the established DBE goal, has not demonstrated good faith efforts, or failed to correct DBE Program deficiencies, TxDOT will initiate administrative action against the prime contractor in accordance with applicable regulations. Administrative actions may include the following:

- Withholding all or a percentage of monthly partial payments
- Liquidated damages
- Initiation of appropriate suspension or debarment or decertification proceedings
- Termination of the contract
- Referral of any unlawful actions to the appropriate enforcement agencies
- Other actions as appropriate

The District will notify the prime contractor in writing of the determination. The notice will include the reasons for the determination and specify the administrative action.



## Chapter 19: Project Close Out

### Contents:

[Section 1: Records Retention](#)

## **Section 1: Records Retention**

Records retention is the last step of the project close out process. The project records the DBE contractor has collected must be retained. Supporting documentation for the project must be securely filed and available upon request for audits or reviews by TxDOT, FHWA, or other government officials. Federal regulation requires the retention of all federal-aid project records for a minimum of three years after final payment.

According to the Texas State Retention Schedule (5.1.001 and Government Code, 441.1855) records for all contracts must be kept for seven years after close if executed, renewed or amended on or after September 1, 2015. For contracts executed, renewed, or amended on or before August 31, 2015, records must be retained for four years after close.

## Chapter 20: Local Government Projects

### Contents:

[Section 1: Overview](#)

## Section 1: Overview

The term local government (LG) includes municipalities, counties, county and regional toll authorities, metropolitan planning organizations (MPOs), regional mobility authorities (RMA) and some private entities. FHWA refers to this program as local public agency (LPA).

A LG is required to manage and monitor federal-aid projects to ensure that prime contractor and their subcontractors comply with DBE Program provisions.

Prior to letting a construction project a DBE goal will be set by TxDOT. Prior to contract execution, the LG will ensure the prime contractor's DBE commitments meet the goal and if not, reviews and evaluates the prime contractor's good faith efforts.

During construction, the LG is responsible for managing and monitoring the project to ensure DBE Program compliance. This includes conducting CUF reviews and ensuring the prime contractor does not terminate or substitute the DBE without its written approval. And finally, in the post award phase, payments made to DBE subcontractors should equal the DBE goal commitment.

TxDOT is responsible for ensuring such projects are completed in conformance with the DBE requirements in 49 CFR, Part 26.

## Chapter 21: Design-Build Projects

### Contents:

[Section 1: Overview](#)

## Section 1: Overview

Design-build (DB) is a construction project contract that combines engineering design services, construction services, and sometimes maintenance services into a single contract. The design-builder is usually the general construction contractor, but in some cases it is the engineering design firm.

Federal regulations recognize the difficulties associated with achievement of project goals before the design has been completed and permits use of an alternative DBE compliance approach for design-build projects. Each proposer for a TxDOT design-build contract will be required to submit a DBE Performance Plan as part of a responsive proposal.

Following award of a design-build contract, and during both the design and construction portions of the project, the DB contractor will be required to submit documentation, in the form of commitments and monthly progress reports to show that the DB contractor is meeting the contract goal. If the goal is not being met, the DB contractor must submit satisfactory good faith efforts.

## **Appendix A: References**

### **Contents:**

[Section 1: Websites](#)

[Section 2: Reference Documents](#)

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## Section 1: Websites

**This section has a list of helpful resources from USDOT, FHWA, or TxDOT. Bookmark these useful websites.**

- USDOT - DBE Program Overview: <https://www.transportation.gov/civil-rights/disadvantaged-business-enterprise/dbe-program-overview>
- USDOT - Departmental Office of Civil Rights (Official Questions and Answers regarding 49 CFR, Part 26): <https://www.transportation.gov/civil-rights/disadvantaged-business-enterprise/official-questions-and-answers-qas-disadvantaged>
- FHWA - DBE Code of Federal Regulations: [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title49/49cfr26\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title49/49cfr26_main_02.tpl)
- FHWA - DBE Program: <http://www.fhwa.dot.gov/civilrights/programs/dbess.cfm>
- TxDOT - DBE Program: <http://www.txdot.gov/inside-txdot/division/civil-rights/dbe.html>
- TxDOT - DBE Forms: <http://www.txdot.gov/inside-txdot/forms-publications/doing-business/dbe-forms.html>



## Section 2: Reference Documents

- 6-1 [FHWA Tips on Evaluating a CUF](#)
- 7-1 [TxDOT Notice to Contractors](#)
- 7-1 [TxDOT Plans Online](#)
- 8-2 [TxDOT DBE Contractors Certification of Good Faith Efforts Form 2603](#)
- 10-2 [DBE Trucking Utilization Form 2660](#)
- 13-1 [DBE Joint Check Approval Form 2718](#)

## **Appendix B: FHWA Q&A**

### **Contents:**

[Section 1: Federal Highway Administration Q & A for the DBE Program](#)

## Section 1: Federal Highway Administration Q & A for the DBE Program

### Bidders List

**Question:** Does your DBE Program create and maintain a bidders list of all firms who bid and quote and captures the age and average gross receipts of the firms? (49 CFR 26.11(c))

**Answer:** You must create and maintain a bidders list that includes the following: Firm name; firm's address; firm's status as a DBE or non-DBE; Age of the firm; and annual gross receipts of the firm. The USDOT has given the flexibility to the State Department of Transportation to determine the most effective means in capturing this information. Most often the identity of bidders and quoters is captured through the handling of bidding documents and/or contract administration procedures. The other information, age and gross receipts may be captured through surveys and questionnaires at a later time from the firms once identified.

### Assurance Statement

**Question:** Do all prime and subcontracts have required DBE program assurance statements incorporated? (49 CFR 26.13(b))

**Answer:** Each contract a State Transportation Agency (STA) signs with a contractor and sub-recipient must have physically incorporated in it the standardized assurance statement prescribed under 26.13(b) which states that: 1) these parties will not discriminate based on race, color, national origin, or sex in the performance of any DOT-assisted contract; 2) The contractor shall carry out the requirements of 49 CFR 26 in the award and administration of DOT-assisted contracts; and 3) Failure by the contractor to carry out these requirements is a material breach of contract, which may result in contract termination or other remedy as deemed appropriate by the recipient.

### Local Agencies

**Question:** Does the STA's DBE program apply to all sub-recipients? (49 CFR 26.21(a)(1))

**Answer:** The FHWA's approval of STA's program applies to all of STA's DOT-assisted programs including those federal funds transferred to other state and local agencies (i.e., MPOs, City and County governments) and are expended on federally assisted contracts.

## Design-Build Projects

**Question:** If a goal has been established in a design-build project, does the recipient maintain oversight of the project goal and other requirements? (49 CFR 26.53(e))

**Answer:** Recipients must maintain oversight of the developer's activities to ensure they are conducted consistent with the requirements of this part. This monitoring is especially important in the case of a design-build project because the developer can only provide a plan of action (DBE performance plan) it intends to take throughout the project since the exact contracting opportunities and timing of any subsequent awards is unknown at the start of a design-build.

## Contract Goals

**Question:** Does the STA establish contract goals based upon factors such as type of work, location, DBE and availability that cumulatively results in meeting only the portion of the overall goal that cannot be met through race-neutral means? (49 CFR 26.51(e)(2))

**Answer:** Contract goals can be based upon factors such as type of work, location, and DBE availability. The goal should essentially represent the percent of the dollar amount of contracting opportunities for DBEs that exist on that contract. Goals must be set so they will cumulatively result in meeting that portion of the overall goal not being met through race-neutral means.

## Race-Neutral Participation

**Question:** Does the STA count as race-neutral contracts won by DBE primes, DBE subcontracts when there is no contract goal, and primes that do not consider DBE status? (49 CFR 26.51(a))

**Answer:** Contracts won by DBE primes, DBE subcontracts when there is no contract goal, and DBE subcontracts where a prime did not consider the DBE status in awarding the subcontract are all methods of race-neutral DBE participation. The measurement of when a prime did not consider the firm's DBE status in its selection, is to count all work going to a DBE above the contract goal figure as race-neutral.

**Question:** Does a DBE have to be certified with the proper NAICS code if it will be used by the prime contractor as race-neutral DBE participation?

**Answer:** DBEs must be certified in the work categories in which the Prime wants to count that participation towards the contract goal (race-conscious). However, any work done by a non-committed (race-neutral) DBE regardless of NAICS codes should be counted as race-neutral participation provided they are performing a CUF. Prime contractors may be allowing a DBE to expand its capabilities on projects, the

work is legitimate and the DBE could then build its resume to expand its NAICS codes in the future.

## Commitments

**Question:** Are all bidders required to submit DBE information, i.e., name, description of work, and dollar amount before award of the contract? (49 CFR 26.53(b)(2) and (c))

**Answer:** Dependent on whether STA makes the receipt of the information as a matter of responsiveness or responsibility, you can receive information from all bidders or just the apparent low bidder. The receipt of this information in the form of a commitment, when in the presence of a contract goal, is a condition upon which the award of the contract is given by the STA. (As a matter of responsibility, TxDOT receives information from the apparent low bidder.)

**Question:** Does the STA require as a condition of award, the submission DBE information including the name, description of work, dollar amount, written documentation of commitment, and written confirmation from the DBE that it is participating in the contract (49 CFR 26.53(b)(2) (c))

**Answer:** The STA must make sure all DBE information is complete and adequately document the bidder's good faith efforts as a condition of awarding the contract.

**Question:** A prime submitted a subcontractor request document. The District found that three (3) of the items on the subcontract agreement were less than what was originally committed. This reduced amount is \$43,503.51. Even with this reduction, the prime contractor is still far over the DBE goal. Can TxDOT accept the prime contractor's reduced subcontract amount in this situation?

**Answer:** Regulations prohibit the reduction of a submitted DBE commitment without the request and written approval of the STA. The District should investigate the matter and contact the DBE to discuss why the subcontract is less than the commitment (and if they were aware). Depending on the findings, TxDOT should take appropriate action. At the very least, if the DBE knew and was ok with the reduction in commitment, TxDOT should request the Prime contractor to submit something in writing showing the reduced commitment with reasoning for TxDOT approval. This will cover both the Prime and TxDOT.

## Good Faith Efforts – Prior to Contract Execution

**Question:** Does the evidence of good faith efforts provided by the bidder document those efforts to meet the goal, even though such efforts did not succeed in obtaining enough DBE participation to do so? (49 CFR 26.53(a)(2))

**Answer:** The STA must not deny award of the contract on the basis that the bidder simply failed to meet the goal if the bidder documents adequate good faith efforts.

The adequate good faith efforts are those the bidder undertook prior to submitting its bid on the contract.

### **Administrative Consideration**

**Question:** Does the STA provide an opportunity for administrative consideration when it determines the apparent successful bidder failed to meet good faith efforts? (49 CFR 26.53(d))

**Answer:** The STA should have an administrative reconsideration process that affords a bidder the opportunity to seek a further ruling on the adequacy of its good faith efforts.

**Question:** Are reconsideration decisions made by an official who did not take part in the original good faith effort determinations? (49 CFR 26.53(d)(2))

**Answer:** An official who did not take part in the initial determinations by the STA of inadequate good faith efforts by the bidder must make reconsideration decisions.

### **Determining Credit When a DBE Firm is Ineligible – Prior to Subcontract Execution**

**Question:** When the prime contractor executes a subcontract prior to your notification that the DBE firm is ineligible, do you count the subcontract amount toward the prime contractor's goal? (49 CFR 26.87(j)(2))

**Answer:** If a prime contractor has executed a subcontract with a DBE firm before you have notified the firm of its ineligibility, the prime contractor may continue to use the firm on the contract and may continue to receive credit toward its DBE goal for the firm's work.

### **Goal Credit – Materials and Supplies**

**Question:** Does the STA count towards the contract goal the value of materials and supplies used on the contract work only if the DBE is responsible for paying for the material and supply? (Factor – joint checks) (49 CFR 26.55(c)(1))

**Answer:** The DBE must be responsible, with respect to materials and supplies used on the contract, for paying for the material. The use of joint checks has been allowed in the DBE program under certain conditions and/or circumstances. Even under this situation all payments need to be made by the DBE.

**Reporting DBE Participation on Contracts With and Without Goals**

**Question:** Does the STA in its running tally capture DBE participation on all contracts with or without contract goals? (49 CFR 26.51(g))

**Answer:** The STA must report DBE participation in all contracts with and without contract goals awarded during the fiscal year in order to effectively adjust due to both race-neutral and race-conscious achievements to use of contract goals only as necessary to just meet the annual goal. One important consideration in being prepared to make such adjustments is to know the dollar amount that needs to be achieved based on the overall goal before the contract year begins for comparison purposes against the actual RC/RN achievements for making the key decision of when and how much to make any adjustment.

**Commercially Useful Function**

**Question:** Does the STA count toward contract goals the value of work only if the DBE performs a Commercially Useful Function (CUF) when a DBE is responsible for a distinct element of the contract work and it carries out its responsibilities by actually performing, managing and supervising the work involved? (49 CFR 26.55(c)(1))

**Answer:** You count the total contract value of the work the DBE performs itself. The STA needs to have sufficient resources and procedures that effectively determine whether a DBE performs a CUF. In addition to this monitoring responsibility, the STA needs to have appropriate supporting documentation for counting this work as performed by a DBE.

**Question:** Does the STA count toward contract goals the value of work performed by the DBE's own forces and does not count the DBE's cost of equipment leased from the prime contractor and/or material purchased from the prime contractor? (49 CFR 26.55(a)(1))

**Answer:** DBE subcontractor's purchases of supplies and equipment and leases from the prime contractor cannot be counted.

**Question:** Does the STA DBE program require the DBE to perform at least 30% of its work and does not allow DBEs to serve as an extra participant in the contract? (49 CFR 26.55(c)(2)(3))

**Answer:** A DBE is not performing a CUF when it is not performing the work itself and if the DBE under this rule subs out more than 70% of the work. There are additional instances when a DBE could be considered as serving as an extra participant in the contract or project such as being a pass through in the payment of materials and supplies.

**Question:** When a STA presumes a DBE is not performing a CUF, do they allow the DBE to present evident to rebut this presumption? (49 CFR 26.55(c)(4))

**Answer:** The DBE may present evidence to rebut the presumption of not performing a CUF when a STA has initially determined that a DBE is not performing a CUF. The STA must have a CUF reconsideration process established as part of its normal contract administration procedures.

### **When a DBE Subcontracts its Work to a Non-DBE**

**Question:** When a DBE subcontracts part of its work to a non-DBE, does the STA have a mechanism to deduct that amount from the overall contract goal? (49 CFR 26.55(a)(3))

**Answer:** Work that a DBE subcontracts to a non-DBE firm does not count toward DBE goals. The STA's normal subcontracting approval procedure is an effective way to monitor such possible situations.

### **Joint Venture**

**Question:** In a joint venture does the STA count only the defined portion of work a DBE performs with its own forces? (49 CFR 26.55(b))

**Answer:** Count the dollar value of the contract equal to the defined portion of the work that the DBE performs with its own forces toward the DBE goals.

### **Termination / Substitution**

**Question:** Does the STA have a procedure that requires STA approval of the substitution and/or replacement of DBEs for good cause when replacing DBE subcontractors for any reason? (49 CFR 26.53(f)(1)&(2))

**Answer:** The STA must give written consent prior to a prime contractor terminating a DBE subcontractor (or an approved substitute DBE firm) when that DBE is either unable or unwilling to perform the work. There are procedures in some States that require the DBE to actually signoff on its termination. There are DBE program rules that effectively prohibit termination for convenience and then performing the work by the prime itself or use an affiliate.

**Question:** Does the STA require prime contractors to make good faith efforts when replacing DBE subcontractors for any reason? (49 CFR 26.53(f)(1)&(2)).

**Answer:** The STA must require the prime contractors to make good faith efforts to find another DBE subcontractor to substitute for the original DBE when the DBE is either unable or unwilling to perform.



**Counting Credit for Manufacturers, Regular Dealers, Packagers and Brokers**

**Question:** Does the STA DBE program allow for appropriate counting for manufacturers, regular dealers and packagers and brokers? (49 CFR 26.55(e)(1)&(2)(ii)(c))

**Answer:**

If materials and supplies are obtained from a DBE manufacturer, count 100% of the cost of the materials or supplies.

If materials or supplies are purchased from a DBE regular dealer, count 60% of the cost of materials or supplies. To be a regular dealer, the firm must be an established, regular dealer that engages as its principal business and under its own name, in the purchase and sale or lease of the products in question.

Packagers, brokers, manufacturers' representatives, or other persons who arrange or expedite transactions are not regular dealers. Often times the definition of what constitutes a manufacturer from a regular dealer and a regular dealer from a broker becomes a matter of circumstances of the particular situation and to be determined on a case-by-case basis.

For example, if the material is crushed aggregate, then in order to be a manufacturer the firm needs to have the prerequisite equipment to crush and screen the aggregate for sell pursuant to the STA's gradation requirements. If no such process is being performed by the DBE, but has the necessary distribution equipment to pick up and drop off as a normal course of business the firm is considered to be a regular dealer.

**Trucking – Counting Credit**

**Question:** Does the STA DBE program allow DBE truckers to count leased trucks from DBEs and non-DBE truckers toward the goal appropriately? (49 CFR 26.55(4)(5))

**Answer:**

The DBE that leases trucks from another DBE receives credit for the total value of the transportation services the lessee DBE provides on the contract.

If the STA adopted the revised trucking counting rule in the June 16, 2003 DBE Program Final Rule, the DBE who leases trucks from a non-DBE is entitled to credit for the total value of transportation services provided by non-DBE lessees not to exceed the value of transportation services provided by DBE-owned trucks on the contract.

Additional participation by non-DBE lessees receives credit only for the fee or commission it receives as a result of the lease agreement.

NOTE: The appropriate Department Operating Administration must approve this approach.

**Goal Credit – Final Compliance (Payment to DBEs)**

**Question:** Does the STA have a process to ensure a contractor's final compliance with DBE obligations based on payments to the DBEs? (49 CFR 26.55(h))

**Answer:** Until the amount being counted has been paid to the DBE, do not count the participation of a DBE subcontractor toward a contractor's final compliance with its DBE obligations on a contract.

**Joint Checks**

**Question:** Does the STA count towards the contract goal the value of materials and supplies used on the contract work only if the DBE is responsible for paying for the material and supply? (Factor – joint checks) (49 CFR 26.55(c)(1))

**Answer:** The DBE must be responsible, with respect to materials and supplies used on the contract, for paying for the material. The use of joint checks has been allowed in the DBE program under certain conditions and/or circumstances. Even under this situation all payments need to be made by the DBE.

**Prompt Payment / Retainage**

**Question:** Does your DBE program provide appropriate means to enforce prompt payment and return of retainage? (49 CFR 26.29(a)(1))

**Answer:** The STA must have the necessary mechanisms to monitor and enforce the prime contractor's prompt and full payment of retainage. Again, with the flexibility USDOT built into the program, it was the STA to determine its approach towards meeting this and other requirements of the program. The USDOT did not present one prescribed way of meeting it, so there may be various methods employed by a recipient to meet this requirement. The most common enforcement practice is for the prime contractor to provide a payment certification that would certify that all payments have been made and would normally be submitted with a progress estimate for payment. The enforcement of this method is through non-payment of the progress payment, until proper evidence that all previous payments due are paid.

**Monitoring - Payments and CUF Reviews**

**Question:** Does the STA conduct compliance reviews, audits and/or assessments of all program participants, (e.g., contractors, and other state and local governments/agencies? (49 CFR 26.37(a))

**Answer:** The STA must ensure that all program participants are in compliance with 49 CFR Part 26. TxDOT must have appropriate mechanisms for monitoring and enforcement set forth in its DBE program.

**Question:** Does the STA have a monitoring and enforcement mechanism that ensures work committed to DBE is actually performed? (49 CFR 26.37(b))

**Answer:** The STA must ensure DBEs do the work committed to them. To ensure this is happening, the STA must in its normal contract administration take the necessary steps to compare actual subcontract awards to commitments and payments to awards.

### Unified Certification Program

**Question:** Does your UCP have a process to determine specific types of work a potential DBE has the ability to control and possess the equipment and key personnel to perform the work? (49 CFR 26.71(m)(n) & 26.83(c)(4))

**Answer:**

The UCP must have a provision that allows the STA or certifying agency to consider whether the firm owns equipment necessary to perform its work. However, the STA or certifying agency must recognize that leasing equipment is a normal industry practice and should not use this practice to determine that a DBE owner does not control his or her company. The STA or certifying agency must make sure that the leasing of equipment does not involve a relationship with a prime contractor or other party that compromises the independence of the firm.

You must grant certification only for specific types of work in which the socially and economically disadvantaged owner has been able to demonstrate his or her ability to control the firm. This specific type of work needs to be clearly defined in forms consistent with the type of work such firm will be competing to perform. Such designation as “general contractor” does not fit this definition.

### Administrative Remedies

**Question:** Does the STA contract provisions include administrative remedies that will be invoked if prime contractors fail to comply with good faith efforts? (49 CFR 26.15(b))

**Answer:** If prime contractors fail to comply with good faith efforts, the STA contract provisions must include appropriate administrative remedies that will be invoked. The most common administrative remedy is to withhold payment to the prime equal to the short fall that occurred since the prime failed to comply with the good faith efforts provision. It is not intended that the STA exercise this oversight activity at the very end of the contract, but should be monitoring the actual

participation of DBE firms throughout the contract so any necessary adjustments can be made by the prime in a timely fashion towards meeting the goal.